the District, which has been designated as a proper agent to present the bonds to the Federal Reserve Bank at San Antonio, Texas, the place designated for final payment, from which bank remittance will be made direct to you. If you prefer to have some other bank, you will fill in its name in lieu of our bank, but have your bank notify us and the Reconstruction Finance Corporation the date, amount and principal of bonds you have deposited. The Government will then have your bank send the bonds direct to the Federal Reserve for final payment as soon as a sufficient amount has been deposited. No payment will be made until the amount named by the Reconstruction Finance Corporation has been assembled.

We believe this refunding will be a benefit to you because prior to the refunding order our bonds could be purchased in the open market for 35 cents on the dollar and less. You get 49.8 cents, with which funds you can buy other bonds of equal or superior quality, and we would be glad to assist you in such purchase. Since filing our application with the Reconstruction Finance Corporation for refunding under the Emergency Farm Mortgage Act, this section was visited by a tropical hurricane of over 100 miles velocity and torrential rains, which destroyed the fruits and vegetables of the Valley and did property damage of over $50,000,000. Notwithstanding this gigantic loss, the Government is willing to pay you 49.8 cents on the dollar for your bonds.

Please act promptly.

Sincerely yours,

CAMERON COUNTY WATER
IMPROVEMENT DISTRICT
NUMBER ONE,
H. L. STARNES, Mrg.

10 and accompanying said letter, your petitioner enclosed a power of attorney which is hereto attached, and said power of attorney being mailed to various dealers in bonds.

11 Power of Attorney.

Whereas, the Reconstruction Finance Corporation of Washington, D. C., did, on the thirteenth day of January, 1934, pass an order to refund the outstanding bonded indebtedness of Cameron County Water Improvement District Number One, which indebtedness includes the outstanding bonds issued by Cameron County Water Improvement District Number One, and/or Cameron County Irrigation District Number One, Harlingen, Texas. . . .

Whereas, said bonds must be assembled so they can be presented to the Federal Reserve Bank in San Antonio, Tex., designated by the Reconstruction Finance Corporation as the place of final payment, and,

Whereas, the order further provides that the Reconstruction Finance Corporation will pay 49.8 cents for each dollar of the principal of the bonds deposited, on this call—which must be done promptly, all bonds shall be accompanied by All Unpaid Interest Coupons, and further provides that said Corporation shall pay 47.8 cents on each dollar for the bonds which are subsequently deposited after the time fixed by the Division Chief, and said bonds must also be accompanied by all unpaid interest coupons.

Therefore, I, the undersigned, the owner of the following bonds:

Bond No. .....
Maturity Date .....
Amount of Bond .....
All Coupons attached Due Oct. 1st, 1933, and After
.....

do hereby deposit the same with the First National Bank of Harlingen, Texas or * ..... at ..... and I hereby authorize said Bank to act as my special agent and deliver the bonds and all attached interest coupons to the Federal Reserve Bank at San Antonio, Texas, under the terms of said order of the Reconstruction Finance Corporation, and to collect from said Federal Reserve Bank the amount provided in said order as mentioned above, and to remit to me the proceeds of same, and I hereby give said Bank all authority that I would have, provided I were there in person, in regard to the exchange of said bonds and the refunding of same.

Witness my hand this ..... day of February, A. D. 1934.

.....

Witnesses:

.....

.....

* Note: Write in the bank of your choice. Notify the District and the R. F. C. that the bonds are deposited and the amount thereof.

12 VII.

That your petitioner has fully complied with Section 80 of House Bill 5950 in that it has secured more than thirty (30%) per cent of all the bond holders of said District, and they have signed said Power of Attorney, and placed the same with the First National Bank of Harlingen, Texas, and with the Federal Reserve Bank of San Antonio, Texas, and with other banks; and your petitioner alleges that more than thirty (30%) percent of the bond holders have accepted the plan of financing and have signed up on the same, but your

petitioner alleges that the bonds are payable to bearer but your petitioner does not know their names or addresses; that it has diligently searched for more than four months and tried to ascertain who they are; that there are no bond owners known to your petitioner who have refused said plan of settlement, but all of them in so far as petitioner knows are willing to comply with said plan of settlement, agree to same, and believes that said plan of settlement would be advantageous to them. Your petitioner alleges that it believes that if this Honorable Court would issue a Notice as required by Subdivision C of Section 80, giving three weeks successive publication of this plan, and have a hearing set upon same within approximately thirty (30) days, and have said Notice published in the "Bond Buyer," that practically all of the owners of said bonds would see the same and would come in and agree to said plan of adjustment.

VIII.

Your petitioner says that it will be able to secure an approval of more than sixty-six and 2/3rd (66-2/3) percent of all of the bonds at a hearing as provided for in Subdivision D of said Section 80.

IX.

Your petitioner alleges that the plan of re-adjustment has been prepared as fully set out in the letter and in the Power of Attorney, which are attached to this petition, and are filed herewith with said
13 petition; and your petitioner further alleges that more than thirty (30) percent of the owners of said bonds have signed and accepted said plan of adjustment as provided in Subdivision A of Section 80 of said Bill.

X.

Your petitioner further alleges that it attaches hereto copies of the Original Order from the Reconstruction Finance Corporation authorizing the appropriation of funds to care for and pay off and refund the bonds heretofore mentioned in this petition, as follows:

Form 1/5-34. Meeting of
Reconstruction Finance Corporation.

Resolution.

Re: Cameron County Water Improvement District Number One.

Docket Ref. No. 7.

Whereas, Cameron County Water Improvement District Number One, of Cameron County, of Harlingen, Texas, a political subdivision duly organized under the laws of the State of Texas (herein called the "District"), has applied to this Corporation for a loan to enable it to reduce and refinance its outstanding indebtedness, pursuant to the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended, and

Whereas, the District has represented that prior to May 12, 1933, it had completed a project devoted chiefly to the improvement of lands for agricultural purposes and that in connection with such project it had incurred and now has outstanding indebtedness approximately the following amounts:

Nature of Debt.—Bonds.
Principal Amount—$802,000.00.
Interest unpaid on ....., 193.., ...
Total Outstanding—$802,000.00.

Such indebtedness, together with all interest accrued and unpaid thereon as of October 1, 1933, is hereinafter referred to as the "Existing Debt" and the bonds and coupons or other instruments evidencing such debt are hereinafter referred to as the "Old Securities"; and

Whereas, this Corporation has caused an appraisal to be made of the property securing or underlying the Old Securities and has determined that the project of the District is economically sound, and now desires to make a loan to enable said District to reduce and refinance all or by far the greater part of such existing debt on the basis of payments to holders of its Old Securities, or to Committees or other representatives of such holders, at the rates herein set forth,

14 Now, Therefore, Be It Resolved, that there is hereby authorized a loan of not exceeding $402,500.00, to or for the benefit of said District, subject, however, to the following terms and conditions:

1. Time Limits: All loans hereunder shall be disbursed before the expiration of the time within which this Corporation is or shall hereafter be authorized by law to make such loans, but the Chief or Acting Chief of the Drainage, Levee and Irrigation Division (hereinafter referred to as the "Division Chief") may fix any shorter time within which such loans must be disbursed and may from time to time extend any dates so fixed by him.

2. Deposit of Old Securities: The holders of Old Securities who join in this plan of refinancing shall deposit the same with one or more committees, depositories, or other responsible representatives satisfactory to them which shall consent to the plan of refinancing contemplated by this resolution (hereinafter referred to as "Owners' Agents") or shall other-

wise give this Corporation satisfactory assurance that the Old Securities held by them will be subjected to such plan, in which latter case they are hereinafter referred to as "Consenting Owners." Old Securities deposited with Owners' Agents or held by consenting owners are hereinafter referred to as "Deposited Securities." Each Owners' Agent shall be duly authorized to receive all moneys payable to the holders of Old Securities deposited with it, to surrender the Deposited Securities and do all other acts and things necessary to enable the District to effect a reduction in its indebtedness to the extent that in the manner contemplated by this resolution.

No loan shall be made hereunder (a) unless all of the old Securities shall be thus deposited or (b) unless the Division Chief shall deem that such a large proportion of such securities has been deposited as will satisfactorily accomplish the purpose of this Corporation in authorizing this loan. In this latter event, as hereinafter more fully provided, lesser amounts may be payable on the Deposited Securities than in case all of the old Securities are deposited.

3. Payments on Deposited Securities: The amounts to be loaned by this Corporation hereunder shall be sufficient to provide for payments of different amounts of money on account of the Deposited Securities as follows:

(a) 49.8 cents for each dollar of principal amount of the Deposited Securities, provided that all of the Old Securities shall have been deposited at the time when this Corporation makes its first loan hereunder.

(b) 49.8 cents for each dollar principal amount of such Deposited Securities, in case the District is unable to procure the deposit of all of such Old Securities but shall procure the deposit of such larger

proportion thereof as shall be required or approved by the Division Chief.

(c) 47.8 cents for each dollar principal amount of Old Securities that are not thus deposited at the time when the first loan is made pursuant to the provisions of sub-paragraph (b) of this section, but which are subsequently deposited within such time or times as may be fixed or approved by the Division Chief.

Each Deposited Security shall be accompanied by such of its appurtenant coupons, if any, representing interest accrued on or before October 1, 1933, as may be required by the Division Chief and shall
15 also be accompanied by all coupons representing interest payable thereon after such date. In case any such security shall not be accompanied by any coupons required by the Division Chief representing interest accrued on or before the aforesaid date, the amount payable thereon shall be reduced in such amount as may be determined by the Division Chief, but such reduction shall not be less than 49.8 cents for each dollar of the face amount of such missing coupons. In any case any Old Securities shall be presented with any missing coupons that mature after the aforesaid date the Division Chief may refuse to accept the same, or if such securities are accepted there shall be deducted from the amount paid on account thereof a sum equal to the full face amount of such missing coupons.

In case any Old Securities shall be deposited without being accompanied by all the required coupons and if because of such missing coupons reductions are made in the amounts payable on account of such Old Security, but thereafter such missing coupons are deposited within such time or times as may be presscribed or approved by the Division Chief, there shall be paid on account of such coupons subsequently deposited

amounts exactly equal to the sums which were originally deducted from the sum paid on account of such Old Security to which such coupons appertained.

4. Disposition of Balance: Any balance of the loan hereby authorized that is not required for making such payments as aforesaid on account of Deposited Securities may be applied in the sole discretion of and as may be approved by the Division Chief to either of the following purposes:

(a) To the payment of such persons as the Division Chief may designate of costs incurred in connection with this refinancing for fees or municipal bond counsel, printing and issuing of new bonds, or appraisal of the lands within the District, but only in such amounts as may be approved by the Division Chief.

(b) To payment of any sums that it may prove advisable to advance in order to avoid the necessity for issuance of any New Bonds having a principal amount of less than $1,000.00.

In addition to the maximum amount of the loan authorized above, the Treasurer of the Corporation is also authorized to advance such sums or as may be approved by the Division Chief for payment of any interest accrued for the then current interest period on any bonds or securities acquired by this Corporation and any other sum required for interest adjustments.

5. How loans are to be Effected: Unless the Division Chief shall direct otherwise, loans made hereunder shall be conditioned upon the authorization by the District of new 4% bonds (herein referred to as "New bonds") having a principal amount sufficient in the option of said Division Chief and Counsel for this Corporation to insure completion of the proposed refinancing. Such loans shall be effected in any of the follow-

ing ways as said Division Chief and Counsel shall direct:

(a) If the Division Chief shall deem it advisable to have the Deposited Securities canceled immediately upon issuance of the New Bonds, such loans may be advanced directly to the District or to the Owners' Agents and consenting owners at the time of the surrender and cancellation of the Deposited Securities but only upon receipt by this Corporation of New Bonds having a principal amount equal to the amount of the loans it has made thereunder.

(b) In the event that the Division Chief shall deem it necessary to keep any or all of the Deposited Securities alive for a greater or lesser length of time in order to maintain a parity of rights as between the holder of the Deposited Securities (Old) who
16 did not deposit same, or for any other purpose, then such loans may be made directly to the Owners' Agents and consenting owners. All such loans shall be represented by the notes of such consenting owners or agents, and the Deposited Securities shall be pledged as security therefor. When executed by Owners' Agents, such notes may provide that the maker thereof shall not be individually liable thereon. Each such note shall give this Corporation authority at any time to surrender all or any part of the pledged securities to the District in exchange for New Bonds and shall also authorize this Corporation, upon first having requested payments of such notes and payment having been refused, to purchase the pledged securities at such sale as may be provided for by such note.

Each such note shall bear interest at the rate of 4% per annum, payable as nearly as practicable on the interest payment dates borne by the major part of the Deposited Securities. The District shall not be a party

to such note but in case it shall pay the interest thereon promptly when and as the same falls due, the Corporation will accept such interest payments and will thereupon give credit to the District for payment of the interest for such period on all the Deposited Securities at that time held by this Corporation, it being expressly provided, however, that nothing contained in this resolution shall be deemed to limit the right of this Corporation to enforce full payment of interest or principal on Deposited Securities it may hold, at any time when it may deem it advisable to do so in order to protect its rights as holder of the Deposited Securities against any rights claimed by the holders of Old Securities that have not been deposited.

As a condition precedent to the making of any such loan, in the manner provided in this sub-paragraph, the Division Chief and Counsel for this Corporation may require the District to execute or agree to execute such amount of its New 4% Bonds as they may specify and when executed, to deliver such bonds to a trustee or custodian satisfactory to this corporation. Such trustee or other custodian shall be irrevocably bound to exchange such New Bonds for the Deposited Securities held by this Corporation at any time when it shall so request, but the New Bonds thus to be delivered to this Corporation shall not exceed in principal amount the sum then owed to this Corporation on account of the advances which it has made hereunder, together with any interest then accrued and unpaid thereon.

(c) In the event that Counsel for this Corporation shall have any doubt as to the legal authority of the District to issue New Bonds in exchange for some part or some class of the Deposited Securities, provision shall be made for delivery to this Corporation of New Bonds having a principal amount equal to the same owed to this Corporation on account of the

advances it has made or is thus making hereunder, upon the surrender and cancellation of only such part of the Deposited Securities as such counsel deems the District can lawfully accept in exchange for New Bonds. Promptly after effecting any such exchange of a part of the Deposited Securities for New Bonds, the Treasurer of this Corporation shall surrender or assign to the District without charge all of the Deposited Securities then held by this Corporation that were not previously exchanged for New Bonds.

6. Municipal Bond Counsel. In cases where New Bonds are to be issued, the District at its own expense shall employ nationally recognized municipal bond counsel satisfactory to and approved in writing by counsel for this Corporation and shall cause such bond counsel to prepare resolutions and proceedings authorizing an issue of New Bonds necessary for the purpose of the proposed refinancing. Such resolution and bonds shall comply in all respects with the provisions of Section 36, Part 4, of the Economy Farm Mortgage Act of 1933, as amended. Such counsel shall submit drafts of such resolutions and proceedings to Counsel for this Corporation and secure their approval thereof before their adoption and upon the delivery of such New Bonds shall give this Corporation such satisfactory preliminary and final opinions as to the validity thereof and the security therefor as counsel for this Corporation may require.

17

The District shall also furnish, at its own expense, such opinion or opinions of municipal bound counsel as may be required by and be satisfactory to Counsel for this Corporation with respect to the validity of and security for any Old Securities pledged as collateral for notes taken by this Corporation or otherwise acquired by it.

7. Date, Maturities and Interest of New Bonds. Such New Bonds shall bear such date as shall be satisfactory to Counsel for this Corporation. No part of the principal thereof shall mature during the first three (3) years after their date and such bonds shall mature thereafter in annual installments over a period of Thirty (30) years, commencing at the end of the fourth (4) year from the date they bear according to a maturity schedule satisfactory to the Division Chief. If the District may legally do so, such annual maturities, so far as practicable, shall be such that the totals of the sums payable for interest and for the retirement of bonds shall be approximately the same in each year during which there is a maturity. Interest on New Bonds is to be paid semi-annually unless the Division Chief shall otherwise direct.

8. Covenants of the District. No loan shall be made upon the terms of this resolution until after the District shall have adopted resolutions or otherwise have entered into satisfactory agreements providing that so long as any of the New Bonds or any of the Old Securities pledged with or acquired by this Corporation remain outstanding.

(a) Statutory Covenants: The District will not issue any other bonds having security similar to that of the New Bonds or of the Old Securities pledged with or acquired by this Corporation except with the consent of this Corporation; that in so far as it lawfully may, the District will pay to this Corporation an amount equal to the amount by which the assessments, taxes, or other charges collected by the District, exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and that the District will reduce, in so far as it lawfully may, the annual taxes, assessments and other charges imposed by it for or on account of the project by an amount proportional to

the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended.

(b) Cash Operating Basis: In the period prior to the first maturity on such New Bonds, or in case no New Bonds shall be issued, then in the period of three years after the first loan shall be made hereunder (or such longer period as may be fixed by the Division Chief) the District will cause to be levied and collected sufficient assessments, taxes, or other charges to pay all of its operating costs for such period, all tax anticipation obligations of every kind which it then has outstanding and all other indebtedness of the District which is then due and payable or becomes due and payable during such period (excepting only obligation on Old Securities which are then pledged to or held by this Corporation) and in addition thereto, to leave the District at the end of such period with sufficient cash on hand to pay all obligations which it should meet before the time when its next assessment or taxes become payable to the end that after the expiration of such period the District will be operated on a cash basis with no tax anticipation warrants, notes or other like obligations then outstanding. After the date when the first loan is made hereunder, the District will not incur any indebtedness of any kind unless it can pay such indebtedness at the
18 time due from cash on hand or which it will have on hand at such time from its normal source or revenue and it will not issue any tax anticipation warrants, notes or other obligations of any kind without first securing the written consent of this corporation.

(c) Notice of Meetings: The District will give this Corporation ample notice of any meeting of its

governing body at which any matters of importance are to be acted upon, accompanied by a brief statement of the nature of the matters to be considered at such meeting, and this Corporation shall have the right to have such meetings attended by any authorized representative.

(d) Physical Conditions: At the end of each six months' period the District will furnish this Corporation with a statement as to the physical condition of all properties owned or maintained by the District, which statement shall be signed by two of its executive officers and by the District Engineer, if it has such an employee.

(e) Annual Budget-Reserve for Interest: In each year the District will prepare an estimate of the amounts which it will be required to pay out during each months of the following year, a statement of the cash it then has on hand, and an estimate of the cash it will receive during each month of the next year. Such estimates, particularly during the earlier years, shall provide for building up such suitable reserve as may be required by this Corporation for payments of principal and interest in bad years. Such estimates shall be submitted to this Corporation within 60 days prior to the date when the rate or rates of assessments are fixed in each year and the District agrees that in levying taxes or assessments for the following year, it will comply with all reasonable suggestions or requests made to it by this Corporation in connection therewith.

(f) Report on Assessments Levied: Promptly after the levy of any assessments or taxes, this District will notify this Corporation of the amounts of such taxes or assessments, showing separately the amounts levied for each of its funds.

(g) Annual Reports: Promptly upon the making of any audit of the business of the District any year pursuant to the terms of any statute, rule or regulation applicable to such District, it will furnish this Corporation with true copies of such audit reports.

In the event that such reports shall fail to show all receipts and disbursements of the District for the preceding year, including a separate statement of all sales of lands owned by the District, the District will, within 30 days after the close of each of its fiscal years, furnish the Corporation true and accurate reports thereof. The District will also furnish this Corporation with all such other reports, as it may from time to time request in writing.

Within 30 days after the close of each of its fiscal years, the District will also give the Corporation a statement giving the name of each land owner within the District who has failed to pay any District Taxes or assessments payable within the prior year, a brief description of the land subject to such taxes or assessments and a brief statement of what steps have been taken by the District or others to enforce collection thereof.

(h) Attorney for District: In the event that the Corporation shall so request, the District at its own expense will engage any responsible attorney or attorneys designated by this Corporation and shall confer upon such attorneys full power and authority to enforce collections of any delinquent taxes or for any other purpose.

19 (i) Litigation: The District shall promptly notify this Corporation of any suit or litigation which may be instituted against it.

(j) Access to Records: The District will at all times give the Corporation full access to and copies of

all records, reports and files of the District and its governing authority.

(k) Successor: All resolutions and agreements by the District shall provide that any consents that may be given by and any rights thereby conferred upon this Corporation may be exercised by any successor to this Corporation designated by Acts of Congress or by any Department of the United States Government or any corporation wholly owned by it, or by any person holding responsible office under the United States Government that may at any time be designated for that purpose by this Corporation.

9. Other Conditions Precedent: This Corporation shall be under no obligations to make any loans pursuant to this resolution unless and until the following conditions have been complied with to the satisfaction of the Division Chief:

(a) Reassessments: Unless the District shall have complied to the satisfaction of the Division Chief with any requirements he may impose for reassessment of the benefits upon the lands within such District and with any requirements that the Division Chief may impose in connection with the adjustment or collection of taxes or assessments that are now delinquent.

(b) Exclusion of Lands: Unless the District shall have complied to the satisfaction of the Division Chief with any requirement he may impose for the exclusion of lands from the District which he deems unproductive or for the other reasons considered should not be included in the District.

(c) Disbursement of Monies—Committee Expenses: Unless the Division Chief is satisfied that the monies to be loaned will be equitably distributed to and among

the owners of the Deposited Securities, in portion to the loan value of the securities they have respectively deposited, the Owners' Agents shall submit to the Division Chief such statements of their expenses and of the compensation which they propose to pay to depositories, committee members and others, as he may require. If the Division Chief shall notify such Agents in writing that he disapproves of any such expenditures and if such Agents fail to procure such reductions in said charges as he may require, the aforesaid loan shall not be consummated.

(d) Legal Proceedings: Unless Counsel for this Corporation and the Division Chief shall be satisfied with all resolutions and proceedings incidental to the authorization and issue of any New Bonds and the Deposited Securities, with the security therefor and with all proceedings connected with the acquisition of such obligations by this Corporation the pledging of Deposited Securities to this Corporation, the Exchange of New Bonds therefor and the cancellation of Old Securities.

(e) Representations: If any representation or statement made to this Corporation in the application for this loan or any supplement or amendment thereof, or otherwise, shall be found to be incorrect or incomplete in any material respect.

(f) Financial Physical Condition: If, in the judgment of the Division Chief, there shall have been any material change in the financial condition of the District or in the physical condition of its properties as theretofore represented to this Corporation.

(g) Opinion of Counsel: Unless Counsel for this Corporation shall be satisfied with all opinions rendered by municipal bond counsel as to the validity of and security for, the Deposited Security and the New Bonds.

(h) Satisfactory Performances: Unless all terms and conditions of this resolution and of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933; as amended, shall have been complied with to the satisfaction of the Division Chief and of Counsel for this Corporation.

Further Resolved, that if the Division Chief shall so request, counsel for the Corporation shall prepare any contracts or agreements not inconsistent with this Resolution, setting forth the terms and conditions under which the aforesaid loans, advances or exchange are to be effected and when any such contracts or agreements shall have been approved by the Division Chief, and by Counsel designated for that purpose by the General Counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute the same and in the name and on behalf of this Corporation.

Further Resolved, that when said District, Owners' Agents and consenting Owners have complied with the provisions, terms and conditions of these Resolutions and of any contracts that may have been executed by the Corporation in this matter to the satisfaction of the Division Chief and of the designated counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute all such instruments, make all loans, payments and exchanges of securities and take any other action so approved by the Division Chief and by said Counsel.

Further Resolved, that the Secretary of this Corporation is hereby authorized and directed to forward a certified copy of these resolutions to the District.

I, C. R. Cooksey, Secretary of the Reconstruction Finance Corporation do hereby certify that the foregoing is a true and correct copy of the Resolutions of

its Executive Committee, duly appointed at a meeting thereof regularly convened and held on the 6th day of January, 1914, at which a quorum was present and acting throughout.

In Witness Whereof I have hereunto set my hand and seal of this Corporation this 13th day of January, 1934.

(Signed) "C. R. COOKSEY,"
(Seal) Secretary.

21 (Form—1/22/34.)

Meeting of April 2, 1934.

Certified Copy of Resolution

Adopted by Board of Directors of Cameron County Water Improvement District Number One.

P. O. Address, Harlingen, Texas.

Whereas, the officers of this District have heretofore filed an application with the Reconstruction Finance Corporation asking that a loan be made to or for the benefit of this District for the purpose of enabling it to reduce and refinance certain indebtedness heretofore incurred in connection with its project; and

Whereas, on January 6, 1934, the Reconstruction Finance Corporation authorized a loan of not exceeding $400,000.00 for such purpose subject to the terms and conditions set forth in a resolution adopted by said Reconstruction Finance Corporation on that date; and

Whereas, the Directors of this District have received and examined a certified copy of said resolution and desire to accept the said loan on the terms and conditions therein set forth.

Now, Therefore, be it Resolved, that this—District hereby ratifies and approves the action of its officers in making such application and confirms all statements of fact therein contained and all other facts and representations of fact offered or made by its officers and representatives to the Reconstruction Finance Corporation in support of such application.

Further Resolved, that this District accept such loan and for that purpose hereby assents and agrees to all the terms and conditions of said resolution so adopted by the Reconstruction Finance Corporation and agrees that it will faithfully do and perform all things on its part to be done thereunder.

Further Resolved, that the officers of this District be and they hereby are authorized and directed to do all acts and things necessary, proper or convenient in order to comply with and carry out all of the terms and conditions of said resolution and the Secretary of this District is directed to forward a certified copy of this resolution to the Chief of the Drainage, Levee and Irrigation Division of said Reconstruction Finance Corporation.

The undersigned, being the duly elected Secretary of the aforesaid District, hereby certifies that the foregoing is a true and correct copy of a resolution adopted by its Board of Directors at a meeting thereof duly and lawfully held on the 2nd day of April, 1934, and duly recorded in pp. 69 and 70, Volume 7 of the minutes of Cameron County Water Improvement District Number One.

H. L. STARNES,

(Official Seal) Secretary.

22 XI.

Your petitioner further states to said Court that it has attached hereto more than thirty (30%) percent

of the entire bonds—showing written acceptance and Powers of Attorney, the original of which is attached hereto, and the amount of the same is shown by the Exhibit, but that the same greatly exceed 30%, and that the same does not include all written acceptances, but just those which were within convenient reach of this Court.

XII.

Your petitioner alleges that no fees or compensation or allowance for attorney, agents or committees have been agreed upon or assessed against said District or will be paid out of the revenues received from said funds.

XIII.

Your petitioner alleges that the plan offered the creditors is fair and equitable and for the best interests of the creditors, does not discriminate unfairly in favor of any class of creditors, complies with the provisions of this law and has been accepted and approved by the number of creditors required by law, and that said plan is offered in good faith, and will be a great saving to your petitioner and to its farmers.

XIV.

Your petitioner further alleges that the indebtedness of this District is divided into class, and each class has a different kind of security; that one class might be styled as the employees or workmen necessary to carry on the business of this applicant and supply water to the farmers with efficiency. That this class of people is paid every fifteen days, and would be in no way affected by this petition. That the approximate amount due them is only a small sum since they were paid on

the third Monday in this month, the same being July 16th; and the indebtedness to them is practically nothing. The indebtedness to other parties is as follows:

25 $24,000.00 par value of 7 percent notes, payable serially and payable to bearer, but sold to Brown-Crummer, Wichita, Kansas. These notes are for improvements and are in no way involved in the present refund, and the security is entirely different, they being secured by a transfer of so much Flat Rate annually until the notes are fully paid, and the security is more than ample to take care of and pay the above notes in full.

In addition, the District owes the following notes:

W. H. Maupin, Harlingen, Texas	$2,500.00
Taylor Lumber Company, Harlingen, Texas	1,288.77
Mrs. R. Starnes, Harlingen, Texas	3,306.36
First National Bank, Harlingen, Texas	5,000.00
V. & G. Construction Company, Harlingen, Texas	159.92
A. W. Armstrong, Harlingen, Texas	5,607.46
G. C. Howell, Blue Bonnett Hotel, San Antonio, Texas	10,000.00
R. L. Ware, Harlingen, Texas	12,000.00
Mrs. K. Brown, Brownsville, Texas	18,510.49
Mrs. M. Engelbrecht	1,249.74
A. Foltz, Harlingen, Texas	10,000.00

That all of the above sums were borrowed because of the depression and each one of them is secured differently, and are in a different class from the bond holders,—being secured out of flat rates collected by the District, and since they are amply secured the refunding order in no way effects them.

XV.

In compliance with the provision of the Act above mentioned, which requires the giving of the names and

addresses of all parties who hold bonds who had refused to come in and accept provisions of this settlement, this District respectfully represents to said Court that there are no known bond holders refusing said settlement. There are, however, a few bond holders who have not signed the Power-of-Attorney set forth in this Application, but who say they will do so when they are ready to pay off, and their names and addresses are as follows:

Mid-Continent Life Insurance Company, Oklahoma City, Okla. Approximately	$123,000.00
R. L. Hill, Harlingen, Texas	6,000.00
Dr. J. M. Green, Harlingen, Texas	18,000.00
Green & Stone, San Juan, Texas	3,500.00
Chris Wolz, Harlingen, Texas	1,000.00

That there are the only known bond holders known to the District who hold bonds who have failed
24 to turn in the same and signed the Power-of-Attorney attached hereto. That this District has made diligent search for the owners of the bonds and has advertised for same, but said bonds were sold twenty years ago, were payable to bearer and the names and addresses of the present holders are unknown.

XVI.

That in compliance with said Act, which provides for a list of those who have turned in their bonds and signed the Power-of-Attorney, and agreed to said plan of settlement, we are hereto attaching a list of the names of all of them which are available at this time. However, the District would represent to this Court that said list is considerably more than the 30 percent required by law; and the total amount turned in at other places and direct with the Reconstruction Finance Corporation at Washington, amounts to more than

66-2 3rds percent, and the amount turned in and held by the Banks under the Powers-of-Attorney and the owners and their addresses is hereby given in so far as it is possible to do so, but the same is not a full and complete list, and it is impossible at this time to give a full and complete list:

Number	Holder	Amount
103	Cameron County Water Improvement District Number One, Harlingen, Texas	$1,000
113	D. T. Selby Insurance Company, Oakland, Calif.	1,000
122	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
123	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
124	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
127	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
128	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
129	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
130	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
131	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
132	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000

Number	Holder	Amount
133	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
134	First National Trust & Savings Bank, Santa Barbara, California	1,000
135	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
136	First National Trust & Savings Bank, Santa Barbara, California	1,000
137	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
139	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
141	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
143	Cameron County, Water Improvement District Number One, Harlingen, Texas	1,000
145	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
147	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
150	Blythe & Co., Inc., San Francisco, California	1,000
154	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
156	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
158	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000

Number	Holder	Amount
165	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
167	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
169	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
171	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
172	O. J. Winterman, Eagle Lake, Texas	1,000
173	Fayetteville State Bank, Fayetteville, Texas	1,000
174	O. J. Winterman, Eagle Lake, Texas	1,000
175	Fayetteville State Bank, Fayetteville, Texas	1,000
176	O. J. Winterman, Eagle Lake, Texas	1,000
177	Fayetteville State Bank, Fayetteville, Texas	1,000
178	O. J. Winterman, Eagle Lake, Texas	1,000
181	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
183	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
246	O. J. Winterman, Eagle Lake, Texas	1,000
247	Realty Acceptance Corporation, Harlingen, Texas	1,000
248	Henry H. Tracy (address unknown)	1,000
249	Realty Acceptance Corporation, Harlingen, Texas	1,000
250	O. J. Winterman, Eagle Lake, Texas	1,000
251	Realty Acceptance Corporation, Harlingen, Texas	1,000
252	Union National Bank, Wichita, Kansas	1,000

Number	Holder	Amount
253	Realty Acceptance Corporation, Harlingen, Texas	1,000
254	Concho County, San Angelo, Texas	1,000
255	First National Bank, Harlingen, Texas	1,000
257	Realty Acceptance Corporation, Harlingen, Texas	1,000
258	Concho County, San Angelo, Texas	1,000
261	Concho County, San Angelo, Texas	1,000
262	American General Insurance Company, Houston, Texas	1,000
263	American General Insurance Company, Houston, Texas	1,000
264	American General Insurance Company, Houston, Texas	1,000
265	Avery Fuller Childrens Center, c/o J. J. Meigs & Co., San Francisco, California	1,000
272	J. O. Murph, Harlingen, Texas	1,000
276	E. E. Hagerman, Livermore, California	1,000
281	F. F. Favour, Oshkosh, Wisconsin	1,000
283	First National Bank, Harlingen, Texas	1,000
287	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
289	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
296	First National Trust & Savings Bank, Santa Barbara, California	1,000
298	First National Trust & Savings Bank, Santa Barbara, California	1,000
300	First National Trust & Savings Bank, Santa Barbara, California	1,000
340	Bank of America, Los Angeles, California	1,000
342	Bank of America, Los Angeles, California	1,000

Number	Holder	Amount
344	Bank of America, Los Angeles, California	1,000
346	Bank of America, Los Angeles, California	1,000
348	Bank of America, Los Angeles, California	1,000
354	First National Bank, Harlingen, Texas	1,000
356	First National Bank, Harlingen, Texas	1,000
362	Wm. G. Griffith, Santa Barabara, California	1,000
368	First National Bank, Harlingen, Texas	1,000
372	County National Bank & Trust Company, Santa Barbara, California.	1.000
380	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
382	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
384	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
386	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000.
387	Realty Acceptance Corporation, Harlingen, Texas	1,000
388	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
389	Reagan County (Address Unknown)	1,000
390	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
391	Reagan County (Address Unknown)	1,000
392	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000

Number	Holder	Amount
393	Reagan County (Address Unknown)	1,000
394	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
395	Reagan County (Address Unknown)	1,000
396	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
397	Reagan County (Address Unknown)	
398	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
399	O. J. Winterman, Eagle Lake, Texas	1,000
400	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
402	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
404	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
406	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
408	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
410	First National Trust & Savings Bank, Santa Barbara, California	1,000
412	First National Trust & Savings Bank, Santa Barbara, California	1,000
417	O. J. Winterman, Eagle Lake, Texas	1,000
419	Bank of America, Los Angeles, California	1,000
421	Bank of America, Los Angeles, California	1,000

Number	Holder	Amount
422	Henry P. Lincoln, Trustee, Jones Estate, Santa Barbara, California..	1,000
423	Bank of America, Los Angeles, California	1,000
424	Henry P. Lincoln, Trustee, Jones Estate, Santa Barbara, California..	1,000
425	Bank of America, Los Angeles, California	1,000
427	Bank of America, Los Angeles, California	1,000
429	The Anglo-California National Bank, San Francisco, California	1,000
431	The Anglo-California National Bank, San Francisco, California	1,000
433	The Anglo-California National Bank, San Francisco, California	1,000
435	The Anglo-California National Bank, San Francisco, California	1,000
437	The Anglo-California National Bank, San Francisco, California	1,000
438	Leo. W. Goldstone, San Francisco, California (Alamo National Bank, San Antonio, Texas)	1,000
439	The Anglo-California National Bank, San Francisco, California	1,000
441	The Anglo-California National Bank, San Francisco, California	1,000
443	The Anglo-California National Bank, San Francisco, California	1,000
445	The Anglo-California National Bank, San Francisco, California	1,000
447	The Anglo-California National Bank, San Francisco, California	1,000
449	The Anglo-California National Bank, San Francisco, California	1,000
451	The Anglo-California National Bank, San Francisco, California	1,000

Number	Holder	Amount
452	Realty Acceptance Corporation, Harlingen, Texas	1,000
454	G. C. Crowell, Turlock, California	1,000
458	Elizabeth Kolb, Monterrey, California	1,000
460	Leo W. Goldstone, San Francisco, California (Alamo National Bank, San Antonio, Texas)	1,000
462	O. J. Winterman, Eagle Lake, Texas	1,000
473	Slavonic Benevolent Order, Fayetteville, Texas	1,000
475	Slavonic Benevolent Order, Fayetteville, Texas	1,000
490	Union National Bank, Wichita, Kansas	1,000
492	Union National Bank, Wichita, Kansas	1,000
494	Union National Bank, Wichita, Kansas	1,000
496	Union National Bank, Wichita, Kansas	1,000
498	Union National Bank, Wichita, Kansas	1,000
500	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
501	E. P. McNear Company, Petaluma, California	1,000
505	First National Bank, Harlingen, Texas	1,000
507	G. C. Crowell, Turlock, California	1,000
508	R. J. McMullen, Oakland, California	1,000
509	G. C. Crowell, Turlock, California	1,000
510	E. P. McNear Company, Petaluma, California	1,000
511	G. C. Crowell, Turlock, California	1,000
512	E. P. McNear Company, Petaluma, California	1,000
513	R. J. McMullen, Oakland, California	1,000
514	E. P. McNear Company, Petaluma, California	1,000
515	R. J. McMullen, Oakland, California	1,000
516	E. P. McNear Company, Petaluma, California	1,000
517	R. J. McMullen, Oakland, California	1,000

Number	Holder	Amount
518	E. P. McNear Company, Petaluma, California	1,000
519	Bell County, Belton, Texas	1,000
520	E. P. McNear Company, Petaluma, California	1,000
522	E. P. McNear Company, Petaluma, California	1,000
524	E. P. McNear Company, Petaluma, California	1,000
526	E. P. McNear Company, Petaluma, California	1,000
566	F. F. Madden, Hays City, Kansas	1,000
568	F. F. Madden, Hays City, Kansas	1,000
570	F. F. Madden, Hays City, Kansas	1,000
572	F. F. Madden, Hays City, Kansas	1,000
573	Joseph Goldstone, 1665 Mission, San Francisco, California	1,000
575	Joseph Goldstone, 1665 Mission, San Francisco, California	1,000
577	Bell County, Belton, Texas	1,000
582	Lewis H. Cromwell, Petaluma, California	1,000
590	Bank of America, San Francisco, California	1,000
592	Dorothea Hagar (Address Unknown)	1,000
613	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
626	First National Bank, Harlingen, Texas	1,000
636	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
637	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
638	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000

Number	Holder	Amount
639	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
640	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
641	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
642	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
643	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
644	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
645	C. J. Moore, Brown-Crummer Company, Dallas, Texas	1,000
650	Bell County, Belton, Texas	1,000
682	Cameron County Water Improvement District # One	500
688	A. F. Breiling, Executor for Raabe, Bank of America, Healdsburg Branch, California	500
690	A. F. Breiling Executor for M. Raabe, Bank of America, Healdsburg Branch, California	500
704	O. J. Winterman, Eagle Lake, Texas.	500
716	American General Insurance Company, Houston, Texas	500
720	Cameron County Water Improvement District Number One, Harlingen, Texas	500
722	Cameron County Water Improvement District Number One, Harlingen, Texas	500
724	O. J. Winterman, Eagle Lake, Texas.	500
734	Avery-Fuller Childrens Center, c/o J. J. Meigs, San Francisco, California	500
738	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Number	Holder	Amount
740	Cameron County Water Improvement District Number One, Harlingen, Texas	500
761	First National Bank, Harlingen, Texas	500
763	First National Bank, Harlingen, Texas	500
765	First National Bank, Harlingen, Texas	500
768	First National Bank, Harlingen, Texas	500
769	Avery-Fuller Childrens Center, San Francisco, California, c/o J. J. Meigs	500
770	Avery-Fuller Childrens Center, San Francisco, California, c/o J. J. Meigs	500
771	O. J. Winterman, Eagle Lake, Texas	500
772	Avery-Fuller Childrens Center, San Francisco, California, c/o J. J. Meigs	500
773	O. J. Winterman, Eagle Lake, Texas.	500
774	Avery-Fuller Childrens Center, San Francisco, California, c/o J. J. Meigs	500
775	American General Insurance Company, Houston, Texas	500
776	Avery-Fuller Childrens Center, San Francisco, California, c/o J. J. Meigs	500
777	Leo. W. Goldstone, San Francisco, California	500
779	Leo. W. Goldstone, San Francisco, California	500
780	O. J. Winterman, Eagle Lake, Texas.	500
784	O. J. Winterman, Eagle Lake, Texas.	500
785	Cameron County Water Improvement District Number One, Harlingen, Texas	500
786	First National Bank, Harlingen, Texas	500
787	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Number	Holder	Amount
789	Cameron County Water Improvement District Number One, Harlingen, Texas	500
791	Cameron County Water Improvement District Number One, Harlingen, Texas	500
793	Cameron County Water Improvement District Number One, Harlingen, Texas	500
795	Leo W. Goldstone, 1665 Mission, San Francisco, California	500
797	Leo W. Goldstone, 1665 Mission, San Francisco, California	500
799	Joseph Goldstone, 1665 Mission, San Francisco, California	500
801	Joseph Goldstone, 1665 Mission, San Francisco, California	500
803	C. E. Moore, (Brown-Crummer Company), Dallas, Texas	500
807	C. E. Moore, (Brown-Crummer Company), Dallas, Texas	500
808	C. E. Moore, (Brown-Crummer Company), Dallas, Texas	500
809	Henry P. Lincoln, Trustee, Estate Mary W. Pierce, Santa Barbara, California	
826	Cameron County Water Improvement District Number One, Harlingen, Texas	500
828	Cameron County Water Improvement District Number One, Harlingen, Texas	500
830	Cameron County Water Improvement District Number One, Harlingen, Texas	500
832	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Number	Holder	Amount
834	Cameron County Water Improvement District Number One, Harlingen, Texas	500
835	Mrs. Alice H. Corbett, c/o Planters & Merchants Savings Bank, Oakland, California	500
836	Cameron County Water Improvement District Number One, Harlingen, Texas	500
837	Bell County, Belton, Texas	500
838	Cameron County Water Improvement District Number One, Harlingen, Texas	500
840	Lettus N. Crowell, New Orleans, Louisiana	500
842	Cameron County Water Improvement District Number One, Harlingen, Texas	500
844	O. J. Winterman, Eagle Lake, Texas.	500
846	O. J. Winterman, Eagle Lake, Texas.	500
848	O. J. Winterman, Eagle Lake, Texas.	500
850	O. J. Winterman, Eagle Lake, Texas.	500
871	C. N. Flint, c/o Security 1st National Bank, Los Angeles, California	1,000
872	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
873	First National Bank, Harlingen, Texas	1,000
874	First National Bank, Harlingen, Texas	1,000
875	C. N. Flint, Los Angeles, California.	1,000
876	First National Bank, Kalamazoo, Michigan	1,000
877	Mary O. Lewis, Houston, Texas	1,000
878	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
881	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000

Number	Holder	Amount
882	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
883	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
885	C. N. Flint, Los Angeles, California	1,000
886	First National Bank, Harlingen, Texas	1,000
887	First National Bank, Harlingen, Texas	1,000
888	First National Bank, Harlingen, Texas	1,000
889	First National Bank, Harlingen, Texas	1,000
890	First National Bank, Harlingen, Texas	1,000
891	C. N. Flint, c/o Securities 1st National Bank, Los Angeles, California	1,000
892	V. G. Berrian, Highland, N. Y.	1,000
894	Neighbors of Woodcraft (Address Unknown)	1,000
895	Wm. P. Hopkins, Spokane, Washington	1,000
896	Neighbors of Woodcraft (Address Unknown)	1,000
898	Wm. P. Hopkins, Spokane, Washington	1,000
907	First National Bank, Harlingen, Texas	1,000
908	First National Bank, Harlingen, Texas	1,000
909	First National Bank, Harlingen, Texas	1,000
921	W. P. Hoplins, Spokane, Washington	1,000
924	Donald S. Hoplins, Lockhaven, Pennsylvania	1,000
925	Donald S. Hopkins, Lockhaven, Pennsylvania	1,000
929	Realty Acceptance Corporation, Harlingen, Texas	1,000
930	Realty Acceptance Corporation, Harlingen, Texas	1,000
932	C. C. Crowell, Turlock, California	1,000
933	Neighbors of Woodcraft (Address Unknown)	1,000

Number	Holder	Amount
940	Donald S. Hopkins, Lockhaven, Pennsylvania	1,000
941	Donald S. Hopkins, Lockhaven, Pennsylvania	1,000
943	Neighbors of Woodcraft (Address Unknown)	1,000
944	Neighbors of Woodcraft (Address Unknown)	1,000
945	Neighbors of Woodcraft (Address Unknown)	1,000
946	Neighbors of Woodcraft (Address Unknown)	1,000
947	Neighbors of Woodcraft (Address Unknown)	1,000
948	Neighbors of Woodcraft (Address Unknown)	1,000
949	Neighbors of Woodcraft (Address Unknown)	1,000
950	Zavalla County State Bank, Crystal City, Texas	1,000
951	Zavalla County State Bank, Crystal City, Texas	1,000
952	Priscilla Alden, National Bank of Fairhaven, Massachusetts	1,000
953	Priscilla Alden, National Bank of Fairhaven, Massachusetts	1,000
954	Zavalla County State Bank, Crystal City, Texas	1,000
955	Zavalla County State Bank, Crystal City, Texas	1,000
956	Zavalla County State Bank, Crystal City, Texas	1,000
957	Neighbors of Woodcraft (Address Unknown)	1,000
958	Neighbors of Woodcraft (Address Unknown)	1,000
959	Zavalla County State Bank, Crystal City, Texas	1,000

Number	Holder	Amount
960	Zavalla County State Bank, Crystal City, Texas	1,000
961	Zavalla County State Bank, Crystal City, Texas	1,000
962	Zavalla County State Bank, Crystal City, Texas	1,000
963	Zavalla County State Bank, Crystal City, Texas	1,000
964	First National Bank, Harlingen, Texas	1,000
965	First National Bank, Harlingen, Texas	1,000
966	First National Bank, Harlingen, Texas	1,000
969	Neighbors of Woodcraft (Address Unknown)	1,000
970	Neighbors of Woodcraft (Address Unknown)	1,000
971	Neighbors of Woodcraft (Address Unknown)	1,000
972	Neighbors of Woodcraft (Address Unknown)	1,000
973	Neighbors of Woodcraft (Address Unknown)	1,000
974	Neighbors of Woodcraft (Address Unknown)	1,000
975	Neighbors of Woodcraft (Address Unknown)	1,000
976	Neighbors of Woodcraft (Address Unknown)	1,000
977	Neighbors of Woodcraft (Address Unknown)	1,000
978	Neighbors of Woodcraft (Address Unknown)	1,000
979	Neighbors of Woodcraft (Address Unknown)	1,000
980	Neighbors of Woodcraft (Address Unknown)	1,000
981	Neighbors of Woodcraft (Address Unknown)	1,000
982	C. C. Crowell, Turlock, California	1,000

Number	Holder	Amount
983	Neighbors of Woodcraft (Address Unknown)	1,000
984	Neighbors of Woodcraft (Address Unknown)	1,000
993	Neighbors of Woodcraft (Address Unknown)	1,000
994	Neighbors of Woodcraft (Address Unknown)	1,000
995	Neighbors of Woodcraft (Address Unknown)	1,000
996	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
997	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
998	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
999	First National Bank, Harlingen, Texas	1,000
1001	Neighbors of Woodcraft (Address Unknown)	1,000
1002	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
1003	Cameron County Water Improvement District Number One, Harlingen, Texas	1,000
1004	Neighbors of Woodcraft (Address Unknown)	1,000
1005	Neighbors of Woodcraft (Address Unknown)	1,000
1006	Neighbors of Woodcraft (Address Unknown)	1,000
1015	First National Bank, Harlingen, Texas	1,000
1022	C. N. Flint, Securities National Bank, Los Angeles, California	1,000

Number	Holder	Amount
1023	Wm. P. Hopkins, Spokane, Washington	500
1024	Wm. P. Hopkins, Spokane, Washington	500
1025	C. N. Flint, Securities First National Bank, Los Angeles, California	500
1026	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1027	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1030	Wm. P. Hopkins, Los Angeles, California	500
1031	Donald Hopkins, Lockhaven, Pennsylvania	500
1043	Realty Acceptance Corporation, Harlingen, Texas	500
1044	Neighbors of Woodcraft (Address Unknown)	500
1047	Neighbors of Woodcraft (Address Unknown)	500
1048	First National Bank, Harlingen, Texas	500
1049	First National Bank, Harlingen, Texas	500
1050	First National Bank, Harlingen, Texas	500
1051	First National Bank, Harlingen, Texas	500
1052	First National Bank, Harlingen, Texas	500
1053	First National Bank, Harlingen, Texas	500
1054	First National Bank, Harlingen, Texas	500
1059	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1060	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1061	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Number	Holder	Amount
1062	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1063	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1064	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1065	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Prayer for Relief.

Your Petitioner prays that this Honorable Court approve the same according to Provision of Section 80 of said Act, and that your Honor issue notice for publication and that the same be published in some reliable publication for three (3) consecutive weeks, as provided by Section C; and, in this connection, Petitioner alleges that the "Bond Buyer" is the publication which would come most nearly reaching all of the bond holders than any other publication and that said notice fix a hearing to be within approximately thirty (30) days. And upon final hearing that the plan of readjustment as set forth in this Petition be in all things confirmed.

provided that at said hearing it proves that said plan is fair and equitable to all parties.

GREENWOOD & LEWIS,
By W. B. LEWIS,
Attorneys for Petitioners.

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35 The State of Texas,
County of Cameron.

Now comes H. L. Starnes, Manager of said District, who states on oath that I have read over said

Petition and the same is true and correct to the best of my knowledge and belief, and that said Petition is the official act of said District, there being an order passed and entered on the Minutes of said District on the 18th day of June, 1934, authorizing the filing of this Petition.

H. L. STARNES.

Subscribed to and Sworn to before me, by H. L. Starnes, Manager of said District, on this the 22 day of June, A. D. 1934.

W. H. MAUPIN,
(Seal) Notary Public in and for Cameron County, Texas.

ORDER APPROVING AMENDED PETITION AND DIRECTING NOTICES TO BE GIVEN TO BONDHOLDERS, ETC., OF HEARING OF PETITION.

36 Filed August 22, 1934.

(Title Omitted.)

On this, the 22nd day of August, 1934, came on to be heard the application and petition of Cameron County Water Improvement District No. One as amended and filed on August 22, 1934.

And it appearing to the Court that said amended petition as filed complies with the provisions of said Act and has been filed in good faith, the same is approved as properly filed and the said Cameron County Water Improvement District No. One is hereby directed to give notice as required by law of the bondholders of said District, by first causing a notice to be published in the "Bond Buyer" of New York for three

successive weeks, and further, by giving written notices to all known bondholders that a hearing will be had on said petition, in the City of Houston, Texas, on the 1st day of October, 1934, at 10 A. M. at which time the petition will be considered and this Court will determine whether the plan of settlement is fair, just and equitable, and whether same shall be approved or rejected.

J. C. HUTCHESON, JR.,
Judge Presiding for the Southern District of Texas.

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37 PETITION FOR INTERVENTION.

Filed Oct. 1, 1934.

(Title Omitted.)

Come now C. L. Ashton of Harris County, Texas, J. W. Terry of Galveston County, Texas, individually and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin and L. E. Wood of San Francisco County, California, and West Coast Life Insurance Company, a corporation, creditors of Cameron County Water Improvement District No. One, whose rights will be affected by the proceedings filed herein by said Cameron County Water Improvement District No. One and the proposed plan for the readjustment of the debts of said District, and respectfully appear herein for the purpose of being heard on the question of the proposed confirmation of the plan proposed by the petitioner and here referred to, and adopt as their pleading the allegations made by them in their contest filed in answer to the petitioner's pleading.

And persons hereinabove named respectfully ask of the Court leave to intervene herein and to be heard on all questions arising in the proceedings and respect-

fully ask leave to adopt as their pleading in intervention the allegations contained in their contest herein filed and respectfully pray that they be heard as interveners on all issues raised by the pleadings filed by them as contestants.

W. P. HAMBLEN,
Attorney for C. L. Ashton.
JOYCE COX,
Attorney for J. W. Terry, Individually and as trustee for Rebecca Terry.
BAKER, BOTTS, ANDREWS & WHARTON,
By PALMER HUTCHESON,
Attorney for C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company.

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39 ORDER ALLOWING CONTESTANTS TO INTERVENE.

Filed Oct. 5, 1934.

(Title Omitted.)

On this the 5 day of October, A. D. 1934, came on for consideration petition of contestants C. L. Ashton, J. W. Terry, individually and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company, to intervene herein and to be heard on all questions raised by the aforesaid applicants for intervention in their pleading in this cause filed as contestants, and the Court having considered the same:

It is Hereby Ordered that the aforesaid applicants be and they are hereby granted leave to intervene here-

in and to be heard on all questions arising in this proceeding and all issues raised by the aforesaid parties as contestants herein.

It is Further Ordered that the allegations of the contest herein filed by them shall be considered their pleadings as interveners.

T. M. KENNERLY, Judge.

SECOND AMENDED ORIGINAL PETITION.

40 Filed Dec. 5, 1934.

No. 520 In Bankruptcy.

In Re: Cameron County Water Improvement District Number One.

In the District Court of the United States for the Southern District of Texas, Brownsville Division.

To the Honorable T. M. Kennerly, Judge of said Court:

41 I.

Comes now Cameron County Water Improvement District Number One, whose Post Office address is Harlingen, Texas, the leave of the Court being first had and obtained, and files this its Second Amended Original Petition and for cause of action and grounds for relief, petitioner would show to the Court as follows:

That your petitioner is a water improvement district, existing under and by virtue of the laws of the State

of Texas; that it was created in 1914 as Cameron County Irrigation District Number One, pursuant to the authority granted in Chapter 172 of the General Laws of the State of Texas, passed at the regular session of the 33rd Legislature, as shown on pages 380-408, inclusive, of the acts of said session and known as House Bill 183, which was approved April 9, 1913, which said legislation was enacted pursuant to the authority granted to the Legislature in Section 52, Article 3 of the Constitution of Texas; that in 1919 your petitioner was converted into Cameron County Water Improvement District Number One pursuant to the authority of Chapter 87 of the general laws of the State of Texas, passed at the regular session of the 35th Legislature and shown on pages 172-200, both inclusive, of the acts of said session and known as House Bill 238, approved March 19, 1917, which legislation was enacted pursuant to the authority conferred upon the legislature by Section 52 of Article 3 of the Constitution of Texas, said district containing 43,500 acres of land, gross, and being wholly situated within Cameron County, Texas, with its offices and principal place of business situated in Harlingen, Texas, and have been so situated since its creation, said district being situated also within the Southern District of Texas and wholly within the Brownsville division.

That your petitioner was created for the purpose of furnishing water for irrigation and domestic purposes to the arid or semi-arid land situated therein and is a public corporation and defined district under the constitution and laws of this state, with express powers to sue and be sued and with full power to perform the proprietary and/or corporate function of furnishing water for irrigation and domestic uses to the lands situated therein, and said district has power to do all things reasonably necessary and incident to furnishing water for irriga-

Number	Holder	Amount
1062	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1063	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1064	Cameron County Water Improvement District Number One, Harlingen, Texas	500
1065	Cameron County Water Improvement District Number One, Harlingen, Texas	500

Prayer for Relief.

Your Petitioner prays that this Honorable Court approve the same according to Provision of Section 80 of said Act, and that your Honor issue notice for publication and that the same be published in some reliable publication for three (3) consecutive weeks, as provided by Section C; and, in this connection, Petitioner alleges that the "Bond Buyer" is the publication which would come most nearly reaching all of the bond holders than any other publication and that said notice fix a hearing to be within approximately thirty (30) days. And upon final hearing that the plan of readjustment as set forth in this Petition be in all things confirmed.

provided that at said hearing it proves that said plan is fair and equitable to all parties.

GREENWOOD & LEWIS,
By W. B. LEWIS,
Attorneys for Petitioners.

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35 The State of Texas,
County of Cameron.

Now comes H. L. Starnes, Manager of said District, who states on oath that I have read over said

Petition and the same is true and correct to the best of my knowledge and belief, and that said Petition is the official act of said District, there being an order passed and entered on the Minutes of said District on the 18th day of June, 1934, authorizing the filing of this Petition.

H. L. STARNES.

Subscribed to and Sworn to before me, by H. L. Starnes, Manager of said District, on this the 22 day of June, A. D. 1934.

W. H. MAUPIN,
(Seal) Notary Public in and for Cameron County, Texas.

ORDER APPROVING AMENDED PETITION AND DIRECTING NOTICES TO BE GIVEN TO BONDHOLDERS, ETC., OF HEARING OF PETITION.

36 Filed August 22, 1934.

(Title Omitted.)

On this, the 22nd day of August, 1934, came on to be heard the application and petition of Cameron County Water Improvement District No. One as amended and filed on August 22, 1934.

And it appearing to the Court that said amended petition as filed complies with the provisions of said Act and has been filed in good faith, the same is approved as properly filed and the said Cameron County Water Improvement District No. One is hereby directed to give notice as required by law of the bondholders of said District, by first causing a notice to be published in the "Bond Buyer" of New York for three

successive weeks, and further, by giving written notices to all known bondholders that a hearing will be had on said petition, in the City of Houston, Texas, on the 1st day of October, 1934, at 10 A. M. at which time the petition will be considered and this Court will determine whether the plan of settlement is fair, just and equitable, and whether same shall be approved or rejected.

J. C. HUTCHESON, JR.,
Judge Presiding for the Southern District of Texas.

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37 PETITION FOR INTERVENTION.

Filed Oct. 1, 1934.

(Title Omitted.)

Come now C. L. Ashton of Harris County, Texas, J. W. Terry of Galveston County, Texas, individually and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin and L. E. Wood of San Francisco County, California, and West Coast Life Insurance Company, a corporation, creditors of Cameron County Water Improvement District No. One, whose rights will be affected by the proceedings filed herein by said Cameron County Water Improvement District No. One and the proposed plan for the readjustment of the debts of said District, and respectfully appear herein for the purpose of being heard on the question of the proposed confirmation of the plan proposed by the petitioner and here referred to, and adopt as their pleading the allegations made by them in their contest filed in answer to the petitioner's pleading.

And persons hereinabove named respectfully ask of the Court leave to intervene herein and to be heard on all questions arising in the proceedings and respect-

fully ask leave to adopt as their pleading in intervention the allegations contained in their contest herein filed and respectfully pray that they be heard as interveners on all issues raised by the pleadings filed by them as contestants.

W. P. HAMBLEN,
Attorney for C. L. Ashton.
JOYCE COX,
Attorney for J. W. Terry, Individually and as trustee for Rebecca Terry.
BAKER, BOTTS, ANDREWS & WHARTON,
By PALMER HUTCHESON,
Attorney for C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company.

---

39 ORDER ALLOWING CONTESTANTS TO INTERVENE.

Filed Oct. 5, 1934.

(Title Omitted.)

On this the 5 day of October, A. D. 1934, came on for consideration petition of contestants C. L. Ashton, J. W. Terry, individually and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company, to intervene herein and to be heard on all questions raised by the aforesaid applicants for intervention in their pleading in this cause filed as contestants, and the Court having considered the same:

It is Hereby Ordered that the aforesaid applicants be and they are hereby granted leave to intervene here-

in and to be heard on all questions arising in this proceeding and all issues raised by the aforesaid parties as contestants herein.

It is Further Ordered that the allegations of the contest herein filed by them shall be considered their pleadings as interveners.

T. M. KENNERLY, Judge.

SECOND AMENDED ORIGINAL PETITION.

Filed Dec. 5, 1934.

No. 520 In Bankruptcy.

In Re: Cameron County Water Improvement District Number One.

In the District Court of the United States for the Southern District of Texas, Brownsville Division.

To the Honorable T. M. Kennerly, Judge of said Court:

I.

Comes now Cameron County Water Improvement District Number One, whose Post Office address is Harlingen, Texas, the leave of the Court being first had and obtained, and files this its Second Amended Original Petition and for cause of action and grounds for relief, petitioner would show to the Court as follows:

That your petitioner is a water improvement district, existing under and by virtue of the laws of the State

of Texas; that it was created in 1914 as Cameron County Irrigation District Number One, pursuant to the authority granted in Chapter 172 of the General Laws of the State of Texas, passed at the regular session of the 33rd Legislature, as shown on pages 380-408, inclusive, of the acts of said session and known as House Bill 183, which was approved April 9, 1913, which said legislation was enacted pursuant to the authority granted to the Legislature in Section 52, Article 3 of the Constitution of Texas; that in 1919 your petitioner was converted into Cameron County Water Improvement District Number One pursuant to the authority of Chapter 87 of the general laws of the State of Texas, passed at the regular session of the 35th Legislature and shown on pages 172-200, both inclusive, of the acts of said session and known as House Bill 238, approved March 19, 1917, which legislation was enacted pursuant to the authority conferred upon the legislature by Section 52 of Article 3 of the Constitution of Texas, said district containing 43,500 acres of land, gross, and being wholly situated within Cameron County, Texas, with its offices and principal place of business situated in Harlingen, Texas, and have been so situated since its creation, said district being situated also within the Southern District of Texas and wholly within the Brownsville division.

That your petitioner was created for the purpose of furnishing water for irrigation and domestic purposes to the arid or semi-arid land situated therein and is a public corporation and defined district under the constitution and laws of this state, with express powers to sue and be sued and with full power to perform the proprietary and/or corporate function of furnishing water for irrigation and domestic uses to the lands situated therein, and said district has power to do all things reasonably necessary and incident to furnishing water for irriga-

tion as aforesaid, and one of its incidental powers in aid of its purpose was the power to tax and levy assessments for maintenance and operation and to issue bonds for construction purposes, secured by a tax upon the lands situated therein; that in 1914 said district issued $750,000.00 in 6% serial bonds and thereafter, in 1919, said district issued $190,000.00 of 6% serial bonds, for the purpose of purchasing or constructing a canal system; that there is now outstanding a total of $802,000.00 of said bonds, owned by various citizens of the several states of the United States of America.

II.

That your petitioner has been in operation for approximately 20 years and was created as a promotion project for the colonization and development of the lands therein; that at the time of its creation the country was sparcely settled and had practically no bonded debt outstanding; that during the history of its existence, at least 50% of the taxes paid upon the lands therein have been paid from development, promotion, colonization, and other sources outside of the land itself; that about 1929 colonization ceased in this District, as the lands were practically all developed and since that time and in the future the district must look to its only permanent resource, namely, agriculture for the payment of its taxes and assessments; that about the same time said colonization ceased and as a result of such development, many over-lapping districts and municipalities began the issuance of bonds for public improvement, practically all of which were issued from 1926 to 1930, and as a result of such improvements and the sales of the public credit for the same, this district, in addition to owing the $802,000.00 in bonds above set out, which bonds have 6% interest coupons attached thereto that aggregate approximately as much as the principal, the lands sit-

uated within this district have the following overlapping municipalities with the bonded debts set opposite them, as follows:

43 Cameron County $7,828,000.00 principal, bearing interest at rates ranging from 4½ to 5½%, maturing serially over a period of 30 years;

Harlingen Independent School District, $708,000.00 5% bonds maturing serially over a period of 40 years;

Stuart Independent School District $42,000.00 5% bonds, maturing serially over a period of 40 years;

Wilson Independent School District $43,000.00 5% bonds maturing serially over a period of 40 years;

Rangerville Independent School District $37,000.00 5% maturing serially over a period of 40 years;

Briggs-Coleman Common School District $23,000.00 5% bonds maturing serially over a period of 40 years;

City of Harlingen approximately $700,000.00 5½% and 6% bonds and warrants maturing serially over a period of 40 years;

Los Indios Independent School District $15,000.00 5% bonds maturing serially over a period of 40 years;

Arroyo-Colorado Navigation District $490,000.00 5½% bonds maturing serially over a period of 33 years;

Port Isabel-San Benito Navigation District $500,000 5½% bonds maturing serially over a period of 35 years.

That all the above districts and municipalities overlap your petitioner and have constitutional and statutory liens to secure the payment of all the above bonded debts, aggregating $10,386,000.00, and the interest coupons attached to said bonds exceed in amount the principal of the same, and said districts and municipalities, in addition thereto levy taxes upon the above land for maintenance and operation purposes, making the average tax levy on the lands in said district for the 5 years next preceding the filing of this petition $7.73 per acre, and the major portion of the above bonded debt was created between 1926 and 1930.

That many of the lands in said district are subject to seepage and are suffering from lack of proper drainage, both surface and subdrainage, as a result of which a large acreage in said district has become water-logged, is wholly unproductive, aggregating about 15% of the lands in the District, and a large additional area has become damaged to such an extent that the lands cannot be farmed profitably.

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That in addition to the above factors the Lower Rio Grande Valley, as well as the Nation at large, for the past few years, has been undergoing a major economic depression, causing general unemployment, depreciation in the price and demand for agricultural products and as a result thereof, the lands in this district during said period have been unable to produce sufficient money for the farmers to make a living or to pay the taxes thereon, and by reason of the general economic conditions, those owning land in other localities or engaged in other pursuits have been unable to pay their taxes in appreciable amounts, as a result of which not over 50% of the lands in said district at this time are using water for irrigation purposes and your petitioner now has matured bond and interest obligations outstanding aggregating $147,000.00, with

only about $13,000.00 in its Sinking Fund with which to pay the same; that a large amount of marginal lands in the district have been unable to pay taxes for long periods of years, in some cases as much as ten years, and there is now in the district an average of three years delinquent taxes for all purposes against the lands in this district, or an average of $23.19 per acre for delinquent taxes against each acre in said district for all taxing purposes.

That your petitioner has made diligent effort to collect said taxes, both delinquent and current and has instituted legal proceedings to foreclose the constitutional lien on the lands to collect said taxes, but said proceedings have been wholly unprofitable to the district and the bond holders thereof, as said lands would not bring sufficient money to pay the taxes thereon owing to the district and the district was forced to buy in said lands at said sales and pay the Court costs thereon and to hold the lands subject to the taxes of all other over-lapping municipalities and taxing districts whose taxes were at least double the amount of taxes which the district held against the same; that said situation is rapidly growing worse; that the percentage of delinquencies for the
45 year 1932 was 63%; in 1933 88.9%; that the average market value of the lands in said district at this time does not exceed $75.00 per acre and the total bonded debt, principal and interest on said district at the present is approximately $100.00 per acre.

As a result of all the above facts, said district is insolvent and wholly unable to pay its debts as they mature and is entitled to file this petition and has filed the same under the provisions of Public Bill No. 251 of the 73rd Congress of the United States, being House Resolution No. 5950, approved May 24, 1934, and effective on that date, same being an amendment

to the laws of the United States effecting bankrupcies and commonly known as the municipal bankruptcy law, and this Court has jurisdiction of this cause under the above law for all the reasons above set out and hereinafter set out.

III.

That by reason of all the facts above set out this district is insolvent both in law and in fact and unable to meet its debts as they mature and desires to effect a plan of readjustment of its bonded debt, as provided in House Resolution No. 5950 above set out and particularly Section 80 thereof.

IV.

That your petitioner realizing its inability to pay its debts as they matured and realizing its insolvent condition, as above set out, and desiring to protect the interests of its bondholders, as well as that of its taxpayers and to enable the district to continue to operate and perform the functions for which it was created, namely the furnishing of water for irrigation and domestic purposes to the lands situated therein, your petitioner filed an application with the Reconstruction Finance Corporation of Washington, D. C., for a loan to refinance its bonded indebtedness outstanding under the provisions of Part 4 of the Emergency Farm Mortgage Act of June, 1933; that the Reconstruction Finance Corporation, after examining into the legality of the district the bonded indebtedness outstanding and after making a careful appraisal of the
46 lands of the district and the irrigation system and considering all the resources of said district and after considering the market value of the bonds of said district, decided that said district was entitled to a loan of $402,500.00; with which to pay

its bonded indebtedness outstanding, resolving that the district was financially sound for a loan of that size with which to refund all of its bonded indebtedness and that a price of 49.8% on each dollar par value of its bonded indebtedness would be a just and equitable payment to the bondholders in cash for their bonds, said Reconstruction Finance Corporation authorizing said loan to this district in the above amount to refinance its bonded indebtedness outstanding, said order being entered on the 13th day of January, 1934, a copy of said order of the Reconstruction Finance Corporation being set out herein and marked Exhibit "A" for identification.

That thereafter on April 2, 1934, your petitioner entered an order in the minutes of the Board of Directors of said district ratifying, accepting and approving said loan from the Reconstruction Finance Corporation, according to the provisions of the order of said Corporation, set out herein as Exhibit "A", said order of the Board of Directors of your petitioner accepting the provisions of said order of the Reconstruction Finance Corporation, being set out in this petition and marked Exhibit "B" for identification.

47 EXHIBIT "A".

P. 1.

Meeting of Reconstruction Finance Corporation.

Resolution.

Re: Cameron County Water Improvement District Number One.

Docket Ref. No. 7.

Whereas, Cameron County Water Improvement District Number One, of Cameron County, of Harlingen,

Texas, a political subdivision duly organized under the laws of the State of Texas (herein called the "District"), has applied to this Corporation for a loan to enable it to reduce and refinance its outstanding indebtedness, pursuant to the provisions of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended, and

Whereas, the District has represented that prior to May 12, 1933, it had completed a project devoted chiefly to the improvement of lands for agricultural purposes and that in connection with such project it had incurred and now has outstanding indebtedness approximately the following amounts:

Nature of Debt—Bonds.
Principal Amount—$802,000.00.
Interest unpaid on ....., 193..—.....
Total Outstanding—$802,000.00.

Such indebtedness, together with all interest accrued and unpaid thereon as of October 1, 1933, is hereinafter referred to as the "Existing Debt" and the bonds and coupons or other instruments evidencing such debt are hereinafter referred to as the "Old Securities"; and

Whereas, this Corporation has caused an appraisal to be made of the property securing or underlying the Old Securities and has determined that the project of the District is economically sound, and now desires to make a loan to enable said District to reduce and refinance all or by far the greater part of such existing debt on the basis of payments to holders of its Old Securities, or to Committees or other representatives of such holders, at the rates herein set forth,

Now, Therefore, be it Resolved, that there is hereby authorized a loan of not exceeding $402,-
48 500.00, to or for the benefit of said District, subject, however, to the following terms and conditions:

1. Time Limits: All loans hereunder shall be disbursed before the expiration of the time within which this Corporation is or shall hereafter be authorized by law to make such loans, but the Chief or Acting Chief of the Drainage, Levee and Irrigation Division (hereinafter referred to as the "Division Chief") may fix any shorter time within which such loans must be disbursed and may from time to time extend any dates so fixed by him.

2. Deposit of Old Securities: The holders of Old Securities who join in this plan of refinancing shall deposit the same with one or more committees, depositories, or other responsible representatives satisfactory to them which shall consent to the plan of refinancing contemplated by this resolution (hereinafter referred to as "Owners' Agents"), or shall otherwise give this Corporation satisfactory assurance that the Old Securities held by them will be subjected to such plan, in which latter case they are hereinafter referred to as "Consenting Owners." Old Securities deposited with Owner's Agents or held by consenting owners are hereinafter referred to as "Deposited Securities." Each Owners' Agent shall be duly authorized to receive all moneys payable to the holders of Old Securities deposited with it, to surrender the Deposited Securities and do all other acts and things necessary to enable the District to effect a reduction in its indebtedness to the extent that in the manner contemplated by this resolution.

No loan shall be made hereunder (a) unless all of the old Securities shall be thus deposited or (b) unless

the Division Chief shall deem that such a large proportion of such securities has been deposited as will satisfactorily accomplish the purpose of this Corporation in authorizing this loan. In this latter event, as hereinafter more fully provided, lesser amounts may be payable on the Deposited Securities than in case all of the old Securities are deposited.

3. Payments on Deposited Securities: The amounts to be loaned by this Corporation hereunder shall be sufficient to provide for payments of different amounts of money on account of the Deposited Securities as follows:

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(a) 49.8 cents for each dollar of principal amount of the Deposited Securities, provided that all of the Old Securities shall have been deposited at the time when this Corporation makes its first loan hereunder.

(b) 49.8 cents for each dollar principal amount of such Deposited Securities, in case the District is unable to procure the deposit of all of such Old Securities but shall procure the deposit of such larger proportion thereof as shall be required or approved by the Division chief.

(c) 47.8 cents for each dollar principal amount of Old Securities that are not thus deposited at the time when the first loan is made pursuant to the provisions of sub-paragraph (b) of this section, but which are subsequently deposited within such time or times as may be fixed or approved by the Division Chief. Each Deposited Security shall be accompanied by such of its appurtenant coupons, if any, representing interest accrued on or before October 1, 1933, as may be required by the Division Chief and shall also be accompanied by all coupons representing interest payable thereon after such date. In case any such security shall not be accompanied by any coupons required by

the Division Chief representing interest accrued on or before the aforesaid date, the amount payable thereon shall be reduced in such amount as may be determined by the Division Chief, but such reduction shall not be less than 49.8 cents for each dollar of the face amount of such missing coupons. In any case any Old Securities shall be presented with any missing coupons that mature after the aforsaid date the Division Chief may refuse to accept the same, or if such securities are accepted there shall be deducted from the amount paid on account thereof a sum equal to the full face amount of such missing coupons. In case any Old Securities shall be deposited without being accompanied by all the required coupons and if because of such missing coupons reductions are made in the amounts payable on account of such Old Security, but thereafter such missing coupons are deposited within such time or times as may be prescribed or approved by the Division Chief; there shall be paid on account of such coupons subsequently deposited amounts exactly equal to the sums which were originally deducted from the sum paid on account of such Old Security to which such coupons appertained.

4. Disposition of Balance: Any balance of the loan hereby authorized that is not required for making such payments as aforesaid on account of Deposited Securities may be applied in the sole discretion of and as may be approved by the Division Chief to either of the following purposes:

(a) To the payment of such persons as the Division Chief may designate of costs incurred in connection with this refinancing for fees of municipal bond counsel, printing and issuance of new bonds, or appraisal of the lands within the District, but only in such amounts as may be approved by the Division Chief.

(b) To payment of any sums that it may prove advisable to advance in order to avoid the necessity for issuance of any New Bonds having a principal amount of less than $1,000.00.

In addition to the maximum amount of the loan authorized above, the Treasurer of the Corporation is also authorized to advance such sums or as may be approved by the Division Chief for payment of any interest accrued for the then current interest period on any bonds or securities acquired by this Corporation and any other sum required for interest adjustments.

5. How Loans are to be Effected: Unless the Division Chief shall direct otherwise, loans made hereunder shall be conditioned upon the authorization by the District of new 4% bonds (herein referred to as "New Bonds") having a principal amount sufficient in the option of said Division Chief and Counsel for this Corporation to insure completion of the proposed refinancing. Such loans shall be effected in any of the following ways as said Division Chief and Counsel shall direct:

(a) If the Division Chief shall deem it advisable to have the Deposited Securities canceled immediately upon issuance of the New Bonds, such loans may be advanced directly to the District or to the Owners' Agents and consenting owners at the time of the surrender and cancellation of the Deposited Securities but only upon receipt by this Corporation of
51 New Bonds having a principal amount equal to the amount of the loans it has made thereunder.

(b) In the event that the Division Chief shall deem it necessary to keep any or all of the Deposited Securities alive for a greater or lesser length of time in order

to maintain a parity of rights as between the holder of the Deposited Securities (Old) who did not deposit same, or for any other purpose, then such loans may be made directly to the Owners' Agents and consenting owners. All such loans shall be represented by the notes of such consenting owners or agents, and the Deposited Securities shall be pledged as security therefor. When executed by owners' Agents, such notes may provide that the maker thereof shall not be individually liable thereon. Each such note shall give this Corporation authority at any time to surrender all or any part of the pledged securities to the District in exchange for New Bonds and shall also authorize this Corporation, upon first having rquested payments of such notes and payment having been refused, to purchase the pledged securities at such sale as may be provided for by such note.

Each such note shall bear interest at the rate of 4% per annum, payable as nearly as practicable on the interest payment dates borne by the major part of the Deposited Securities. The District shall not be a party to such note but in case it shall pay the interest thereon promptly when and as the same falls due, the Corporation will accept such interest payments and will thereupon give credit to the District for payment of the interest for such period on all the Deposited Securities at that time held by this Corporation, it being expressly provided, however, that nothing contained in this resolution shall be deemed to limit the right of this Corporation to enforce full payment of interest or principal on Deposited Securities it may hold, at any time when it may deem it advisable to do so in order to protect its rights as holder of the Deposited Securities against any rights claimed by the holders of Old Securities that have not been deposited.

As a condition precedent to the making of any such loan, in the manner provided in this sub-paragraph, the

Division Chief and Counsel for this Corpora-
52 tion may require the District to execute or agree to execute such amount of its New 4% Bonds as they may specify and when executed, to deliver such Bonds to a trustee or custodian satisfactory to this Corporation. Such trustee or other custodian shall be irrevocably bound to exchange such New Bonds for the Deposited Securities held by this Corporation at any time when it shall so request, but the New Bonds thus to be delivered to this Corporation shall not exceed in principal amount the sum then owed to this Corporation on account of the advances which it has made hereunder, together with any interest then accrued and unpaid thereon.

(c) In the event that Counsel for this Corporation shall have any doubt as to the legal authority of the District to issue New Bonds in exchange for some part or some class of the Deposited Securities, provision shall be made for delivery to this Corporation of New Bond having a principal amount equal to the same owed to this Corporation on account of the advances it has made or is thus making hereunder, upon the surrender and cancellation of only such part of the Deposited Securities as such counsel deems the District can lawfully accept in exchange for New Bonds. Promptly after effecting any such exchange of a part of the Deposited Securities for New Bonds, the Treasurer of this Corporation shall surrender or assign to the District without charge all of the Deposited Securities then held by this Corporation that were not previously exchanged for New Bonds.

6. Municipal Bond Counsel. In cases where New Bonds are to be issued, the District at its own expense shall employ nationally recognized municipal bond counsel satisfactory to and approved in writing by counsel for this Corporation and shall cause such bond counsel to prepare resolutions and proceedings au-

thorizing an issue of New Bonds necessary for the purpose of the proposed refinancing. Such resolution and bonds shall comply in all respects with the provisions of Section 36, Part 4, of the Economy Farm Mortgage Act of 1933, as amended. Such counsel shall submit drafts of such resolutions and proceedings to counsel for this Corporation and secure their approval thereof before their adoption and upon the delivery of such New Bonds shall give this Corporation such satisfactory preliminary and final opinions as to the validity thereof and the security
53 therefor as counsel for this Corporation may require.

The District shall also furnish, at its own expense, such opinion or opinions of municipal bond counsel as may be required by and be satisfactory to Counsel for this Corporation with respect to the validity of and security for any Old Securities pledged as collateral for notes taken by this Corporation or otherwise acquired by it.

7. Date, Maturities and Interest of New Bonds: Such New Bonds shall bear such date as shall be satisfactory to Counsel for this Corporation. No part of the principal thereof shall mature during the first three (3) years after their date and such bonds shall mature thereafter in annual installments over a period of Thirty (30) years, commencing at the end of the fourth (4) year from the date they bear according to a maturity schedule satisfactory to the Division Chief. If the District may legally do so, such annual maturities, so far as practicable, shall be such that the totals of the sums payable for interest and for the retirement of bonds shall be approximately the same in each year during which there is a maturity. Interest on New Bonds is to be paid semi-annually unless the Division Chief shall otherwise direct.

8. Covenants of the District: No loan shall be made upon the terms of this resolution until after the District shall have adopted resolutions or otherwise have entered into satisfactory agreements providing that so long as any of the New Bonds or any of the Old Securities pledged with or acquired by this Corporation remain outstanding.

(a) Statutory Covenants: The District will not issue any other bonds having security similar to that of the New Bonds or of the Old Securities pledged with or acquired by this Corporation except with the consent of this Corporation; that, in so far as it lawfully may, the District will pay to this Corporation an amount equal to the amount by which the assessments, taxes, or other charges collected by the District, exceed the costs of operation and maintenance of the project and maturities of interest and principal on its outstanding obligations, and that the District will reduce, in so far as it lawfully may, the annual
54 taxes, assessments and other charges imposed by it for or on account of the project by an amount proportional to the reduction in the corresponding annual requirements for principal and interest of its outstanding indebtedness by reason of the operation of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended.

(b) Cash Operating Basis: In the period prior to the first maturity on such New Bonds, or in case no New Bonds shall be issued, then in the period of three years after the first loan shall be made here under (or such longer period as may be fixed by the Division Chief) the District will cause to be levied and collected sufficient assessments, taxes, or other charges to pay all of its operating costs for such period, all tax anticipation obligations of very kind which it then has outstanding and all other indebtedness of the District which is then due and payable or becomes due

and payable during such period (excepting only obligation on Old Securities which are then pledged to or held by this Corporation), and in addition thereto, to leave the District at the end of such period with sufficient cash on hand to pay all obligations which it should meet before the time when its next assessment or taxes become payable to the end that after the expiration of such period the District will be operated on a cash basis with no tax anticipation warrants, notes or other like obligations then outstanding. After the date when the first loan is made hereunder, the District will not incur any indebtedness of any kind unless it can pay such indebtedness at the time due from cash on hand or which it will have on hand at such time from its normal source of revenue and it will not issue any tax anticipation warrants, notes or other obligations of any kind without first securing the written consent of this corporation.

(c) Notice of Meetings: The District will give this Corporation ample notice of any meeting of its governing body at which any matters of importance are to be acted upon, accompanied by a brief statement of the nature of the matters to be considered at such meeting, and this Corporation shall have the right to have such meetings attended by any authorized representative.

55 (d) Physical Conditions: At the end of each six months' period the District will furnish this Corporation with a statement as to the physical condition of all properties owned or maintained by the District, which statement shall be signed by two of its executive officers and by the District Engineer, if it has such an employee.

(e) Annual Budget-Reserve for Interest: In each year the District will prepare an estimate of the amounts which it will be required to pay out during each month of the following year, a statement of the

cash it then has on hand, and an estimate of the cash it will receive during each month of the next year. Such estimates, particularly during the earlier years, shall provide for building up such suitable reserve as may be required by this Corporation for payments of principal and interest in bad years. Such estimates shall be submitted to this Corporation within 60 days prior to the date when the rate or rates of assessments are fixed in each year and the District agrees that in levying taxes or assessments for the following year, it will comply with all reasonable suggestions or requests made to it by this Corporation in connection therewith.

(f) Report on Assessments Levied: Promptly after the levy of any assessments or taxes, this District will notify this Corporation of the amounts of such taxes or assessments, showing separately the amounts levied for each of its funds.

(g) Annual Reports: Promptly upon the making of any audit of the business of the District any year pursuant to the terms of any statute, rule or regulation applicable to such District, it will furnish this Corporation with true copies of such audit reports.

In the event that such reports shall fail to show all receipts and disbursements of the District for the preceding year, including a separate statement of all sales of lands owned by the District, the District will, within 30 days after the close of each of its fiscal years, furnish the Corporation true and accurate reports thereof. The District will also furnish this Corporation with all such other reports, as it may from time to time request in writing.

56 Within 30 days after the close of each of its fiscal years, the District will also give the Corporation a statement giving the name of each land owner within the District who has failed to pay

any District Taxes or assessments payable within the prior year, a brief description of the land subject to such taxes or assessments and a brief statement of what steps have been taken by the District or others to enforce collection thereof.

(h) Attorney for District: In the event that the Corporation shall so request, the District at its own expense will engage any responsible attorney or attorneys designated by this Corporation and shall confer upon such attorneys full power and authority to enforce collections of any delinquent taxes or for any other purpose.

(i) Litigation: The District shall promptly notify this Corporation of any suit or litigation which may be instituted against it.

(j) Access to Records: The District will at all times give the Corporation full access to and copies of all records, reports and files of the District and its governing authority.

(k) Successor: All resolutions and agreements by the District shall provide that any consents that may be given by and any rights thereby conferred upon this Corporation may be exercised by any successor to this Corporation designated by Acts of Congress or by any Department of the United States Government or any Corporation wholly owned by it, or by any person holding responsible office under the United States Government that may at any time be designated for that purpose by this Corporation.

(9) Other Conditions Precedent: This Corporation shall be under no obligations to make any loans

pursuant to this resolution unless and until the following conditions have been complied with to the satisfaction of the Division Chief:

(a) Reassessments: Unless the District shall have complied to the satisfaction of the Division Chief with any requirements he may impose for reassessment of the benefits upon the lands within such District and with any requirements that the Division Chief may impose in connection with the adjustment or collection of taxes or assessments that are now delinquent.

57 (b) Exclusion of Lands: Unless the District shall have complied to the satisfaction of the Division Chief with any requirement he may impose for the exclusion of lands from the District which he deems unproductive or for the other reasons considered should not be included in the District.

(c) Disbursement of Monies—Committee Expenses: Unless the Division Chief is satisfied that the monies to be loaned will be equitably distributed to and among the owners of the Deposited Securities, in proportion to the loan value of the securities they have respectively deposited, the Owners' Agents shall submit to the Division Chief such statements of their expenses and of the compensation which they propose to pay to depositories, committee members and others, as he may require. If the Division Chief shall notify such Agents in writing that he disapproves of any such expenditures and if such Agents fail to procure such reductions in said charges as he may require, the aforesaid loan shall not be consummated.

(d) Legal Proceedings: Unless Counsel for this Corporation and the Division Chief shall be satisfied with all resolutions and proceedings incidental to the authorization and issue of any New Bonds and the Deposited Securities, with the security therefor and

with all proceedings connected with the acquisition of such obligations by this Corporation the pledging of Deposited Securities to this Corporation, the Exchange of New Bonds therefor and the cancellation of Old Securities.

(e) Representations: If any representation or statement made to this Corporation in the application for this loan or any supplement or amendment thereof, or otherwise, shall be found to be incorrect or incomplete in any material respect.

(f) Financial Physical Condition: If, in the judgment of the Division Chief, there shall have been any material change in the financial condition of the District or in the physical condition of its properties as theretofore represented to this Corporation.

58 (g) Opinion of Counsel: Unless Counsel for this Corporation shall be satisfied with all opinions rendered by municipal bond counsel as to the validity of and security for, the Deposited Security and the New Bonds.

(h) Satisfactory Performances: Unless all terms and conditions of this resolution and of Section 36, Part 4, of the Emergency Farm Mortgage Act of 1933, as amended, shall have been complied with to the satisfaction of the Division Chief and of Counsel for this Corporation.

Further Resolved, that if the Division Chief shall so request, counsel for the Corporation shall prepare any contracts or agreements not inconsistent with this Resolution, setting forth the terms and conditions under which the aforesaid loans, advances or exchange are to be effected and when any such contracts or agreements shall have been approved by the Division Chief, and by Counsel designated for that purpose by

the General Counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute the same and in the name and on behalf of this Corporation.

Further Resolved, that when said District, Owners' Agents and consenting Owners have complied with the provisions, terms and conditions of these Resolutions and of any contracts that may have been executed by the Corporation in this matter to the satisfaction of the Division Chief and of the designated counsel for this Corporation, the Treasurer of this Corporation is authorized and directed to execute all such instruments, make all loans, payments and exchanges of securities and take any other action so approved by the Division Chief and by said Counsel.

Further Resolved, that the Secretary of this Corporation is hereby authorized and directed to forward a certified copy of these resolutions to the District.

59 I, C. R. Cooksey, Secretary of the Reconstruction Finance Corporation do hereby certify that the foregoing is a true and correct copy of the Resolutions of its Executive Committee, duly appointed at a meeting thereof regularly convened and held on the 6th day of January, 1914, at which a quorum was present and acting throughout.

In Witness Whereof I have hereunto set my hand and seal of this Corporation this 13th day of January, 1934.

(Signed) "C. R. COOKSEY,"
(Seal) Secretary.

60 EXHIBIT "B".

P. 1.

(Form—1/22/34.)

Meeting of April 2, 1934.

Certified Copy of Resolution.

Adopted by Board of Directors of Cameron County Water Improvement District Number One.

P. O. Address, Harlingen, Texas.

Whereas, the officers of this District have heretofore filed an application with the Reconstruction Finance Corporation asking that a loan be made to or for the benefit of this District for the purpose of enabling it to reduce and refinance certain indebtedness heretofore incurred in connection with its project; and

Whereas, on January 6, 1934, the Reconstruction Finance Corporation authorized a loan of not exceeding $400,000.00 for such purpose subject to the terms and conditions set forth in a resolution adopted by said Reconstruction Finance Corporation on that date; and

Whereas, the Directors of this District have received and examined a certified copy of said resolution and desire to accept the said loan on the terms and conditions therein set forth.

Now, Therefore, be it Resolved, that this—District hereby ratifies and approves the action of its officers in making such application and confirms all statements of fact therein contained and all other facts and representations of fact offered or made by its officers and

representatives to the Reconstruction Finance Corporation in support of such application.

Further Resolved, that this District accept such loan and for that purpose hereby assents and agrees to all the terms and conditions of said resolution so adopted by the Reconstruction Finance Corporation and agrees that it will faithfully do and perform all things on its part to be done thereunder.

61 Further Resolved, that the officers of this District be and they hereby are authorized and directed to do all acts and things necessary, proper or convenient in order to comply with and carry out all of the terms and conditions of said resolution and the Secretary of this District is directed to forward a certified copy of this resolution to the Chief of the Drainage, Levee and Irrigation Division of said Reconstruction Finance Corporation.

The undersigned, being the duly elected Secretary of the aforesaid District, hereby certifies that the foregoing is a true and correct copy of a resolution adopted by its Board of Directors at a meeting thereof duly and lawfully held on the 2nd day of April, 1934, and duly recorded in pp. 69 and 70, Volume 7 of the minutes of Cameron County Water Improvement District Number One.

(Signed) H. L. STARNES, Secretary.
(Official Seal.)

62 V.

That after receiving a certified copy from the Reconstruction Finance Corporation authorizing a loan to your petitioner which would enable it to readjust its bonded debt on the basis of 49.8 cents upon each dollar of principal, it immediately sent out circular letters to its bondholders setting out the terms of such

proposed plan of readjustment, the first of said letters being sent out about February 1, 1934, and attached to your petitioners original petition as an exhibit, and an additional circular letter being sent out on May 1, 1934, in addition to other communications to said bondholders, and along with said circular letters to said bondholders, a Power of Attorney was sent by which the bondholders could deposit their bonds under the readjustment plan, each bondholder agreeing, by executing said Power of Attorney, or deposit letter, to accept the refinancing plan of the district, namely 49.8 cents on each dollar principal in cash; when a sufficient number of said bonds were deposited, or when a sufficient number of the bondholders assented to the refunding plan to authorize the Division Chief of the Reconstruction Finance Corporation to make payment of the same in cash, said deposit letter authorizing the trustee designated therein to hold title to the bonds and present them for payment under the readjustment plan and making said trustee their agent to dispose of the bonds for cash at 49.8 cents under the refunding plan and to look to the trustee for payment thereof, a copy of said circular letter of May 1, 1934, being attached hereto and marked Exhibit "C" for identification and specimen of said Power of Attorney, or deposit letter, being attached hereto and marked Exhibit "D" for identification; that your petitioner sent copies of said plan of readjustment and said Powers of Attorney, or deposit letters, to all known bondholders and to the last known address of all bondholders, on or about February 1, 1934, and on or about May 1, 1934.

63 EXHIBIT "C".

P. 1.

Cameron County Water Improvement District Number One.

Harlingen, Texas.

Fiscal Agents:
Bain, Emerson & Company,
National Bank of Commerce Bldg.,
San Antonio, Texas.

May 1, 1934.

To Holders of:
Cameron County 6% Irrigation District Number One Bonds.
Cameron County 6% Water Improvement District Number One Bonds.

Cameron County Water Improvement District Number One has finally succeeded in arranging a loan from the Reconstruction Finance Corporation to be evidenced by Refunding Bonds of said District. This proposed loan is in such amount and subject to such conditions as will enable the District to retire its outstanding Eight Hundred and Two Thousand and No/100 ($802,000.00) Dollars of Cameron County Irrigation District Number One Bonds and Cameron County Water Improvement District Number One Bonds by payment therefor of an amount equal to forty-nine and eight-tenths per cent (49.8%) of the par value thereof, which amount will be paid in cash at the time of delivery of the Bonds.

The said District, accordingly, subject to the deposit of sufficient bonds by the Holders thereof to effect the sale of its Refunding Bonds as aforesaid and to warrant in the opinion of the Reconstruction Finance Cor-

poration the consummation of such sale and the retirement of Bonds as hereby contemplated, offers to pay and retire the said Bonds by payment of an amount equal to forty-nine and eight-tenths per cent (49.8%) of the principal value thereof in cash upon the delivery of the Bonds with all unpaid interest coupons attached.

64 Inasmuch as conditions within the said District due to the depression and to certain storms, hurricanes and disastrous freezes make it appear to the advantage of Holders of said Bonds to deposit them in accordance with the terms of the Power of Attorney attached hereto in order that such Holders may obtain a reasonable cash settlement for their Bonds, and inasmuch as in the event sufficient bonds are not deposited in accordance with the terms of the Power of Attorney attached hereto within a very limited time as to warrant in the opinion of the Reconstruction Finance Corporation the consummation of the sale of the said Refunding Bonds and the retirement for cash of the existing Bonds as contemplated hereby the opportunity of the Holders of said Bonds to realize the cash amount herein offered may be lost, all such Holders are requested to execute the Power of Attorney attached hereto at once and to deposit their Bonds in accordance with the terms thereof.

In the event any Holder of any of the Bonds desires further information of any nature, such Holder is requested to get in touch promptly with the Fiscal Agents, at their office in San Antonio, Texas, whereupon such information will be furnished at once.

CAMERON COUNTY WATER
IMPROVEMENT DISTRICT
NUMBER ONE.
By H. L. STARNES, Manager.

Your immediate consideration is requested to this offer, as the plan outlined cannot be accomplished without the prompt return of the signed assent.

65 EXHIBIT "D".

P. 1.

Power of Attorney.

Whereas, the Reconstruction Finance Corporation of Washington, D. C. did, on the thirteenth day of January, 1934, pass an order to refund the outstanding bonded indebtedness of Cameron County Water Improvement District Number One, which indebtedness includes the outstanding bonds issued by Cameron County Water Improvement District Number One, and or Cameron County Irrigation District Number One, Harlingen, Texas.

Whereas, said bonds must be assembled so that they can be presented to the Federal Reserve Bank in San Antonio, Tex., designated by the Reconstruction Finance Corporation as the place of final payment, and,

Whereas, the order further provides that the Reconstruction Finance Corporation will pay 49.8 cents for each dollar of the principal of the bonds deposited, on this call—which must be done promptly. all bonds shall be accompanied by All Unpaid Interest Coupons, and further provides that said Corporation shall pay 47.8 cents on each dollar for the bonds which are subsequently deposited after the time fixed by the Division Chief, and said bonds must also be accompanied by all unpaid interest coupons.

Therefore, I, the undersigned, the owner of the following bonds:

Bond No.	Maturity Date.	Amount of Bond.	All Coupons Attached Due Oct. 1st, 1933, and After
		$1,000.00	
627		$1,000.00	
629		$1,000.00	
634		$1,000.00	

do hereby deposit the same with the First National Bank of Harlingen, Texas, or * ..... at ..... and I hereby authorize said Bank to act as my special agent and deliver
66 the bonds and all attached interest coupons to the Federal Reserve Bank at San Antonio, Texas, under the terms of said order of the Reconstruction Finance Corporation, and to collect from said Federal Reserve Bank the amount provided in said order as mentioned above, and to remit to me the proceeds of same, and I hereby give said Bank all authority that I would have, provided I were there in person, in regard to the exchange of said bonds and the refunding of same.

Witness my hand this 18th day of August, A. D. 1934.

CHRISTINE F. McMILLAN.

Witnesses:

J. F. PAULSEN,
GEO. SIEGFRIED.

* Note: Write in the bank of your choice. Notify the District and the R. F. C. that the bonds are deposited and the amount thereof.

67 VI.

That your petitioner received responses from most of the holders of its bonds and so far as petitioner knows and after diligent search, there are no non-assenting bondholders except the contestants herein and your petitioner had fully complied with the provisions of House Bill No. 5950, above set out, and had on deposit under the terms of the above Power of Attorney, at the time of the filing of this petition, in the First National Bank of Harlingen, the National

Bank of Commerce in San Antonio more than 30% of its bonds and at this time your petitioner has procured more than 66-2 3% of its bonds to be deposited in the First National Bank of Harlingen, Texas, and the National Bank of Commerce in San Antonio, Texas, and other banks approved by the Reconstruction Finance Corporation under the provisions of the above Power of Attorney, who have fully assented to the terms of the readjustment plan, agreeing to accept 49.8 cents for their bonds, and a large number of other bondholders have fully assented to the plan, but have not executed the formal power of attorney above set out. The total number assenting at this time is approximately $700,000.00 of said bonds and more than 66-2 3% of said bonds have been deposited with a written assent or power of attorney in writing as above set out.

That after filing its First Amended Petition on August 22, 1934, and obtaining an order setting the same down for a hearing from this Honorable Court, your petitioner caused to be published a notice of said hearing in the Bond Buyer of New York City on September 1, 8 and 15, 1934, advising and giving notice to all the holders of said bonds of the hearing on said petition on October 1, 1934, and at said hearing on October 1, 1934, the Court reset said case for December 5, 1934, and the contestants herein, who assert they own $78,000.00 of said bonds, are the only contestants and non-assenting bondholders of petitioner, and petitioner has made diligent search to ascertain the existence of such non-assenting bondholders, if any, and your petitioner believes and alleges it to be a fact that all of the bondholders of said district, except the contestants herein, have assented to the plan and are ready and willing to accept 49.8 cents on each dollar of principal for said bonds, as
68 the same is just and equitable and far in excess of the market value of said bonds, and

in this connection your petitioner would show to the Court that the reasonable and average market value of the bonds of your petitioner at the time the loan was authorized by the Reconstruction Finance Corporation was 35% of their par value, and that when this petition was filed herein, the reasonable market value of said bonds, as well as the current market value was 40% of their par value and that the reasonable market value of said bonds and current market value of said bonds does not exceed 45% of their par value at this time and your petitioner has been offered large blocks of said bonds in the market at 42% of their par value within the last 30 days and the readjustment plan offered by your petitioner would be just and equitable to the bondholders, as said payment would be in cash and is more than their current market value and is their reasonable value and said bondholders, if they so desire, can purchase securities of superior quality with the proceeds from said bonds and the money said bondholders would receive from the sale of said bonds to the Reconstruction Finance Corporation would have purchasing value equal to or in excess of the original purchase price which the present bondholders paid for said bonds at the time such purchases were made and said readjustment plan is to the best interests of the district, because it would enable the district to reduce its taxes for bond purposes to approximately one-third of the present levy, as the Reconstuction Finance Corporation is willing to accept refunding bonds at their par value, bearing 4% interest for the loan above mentioned.

VII.

Your petitioner would further show that it had 30% of said bonds on deposit at the time of the filing of this petition under Powers of Attorney, as above set out, and at this time more than 66-2 3% of its bonds

have been deposited under the readjustment plan and assents in writing to the district given thereon, a list of said bonds which has been deposited and written assent or powers of attorney given, are herein set out and marked Exhibit "E" for identification,
69 but the same does not include all the bondholders who have given their assent in writing, as some of them are deposited in banks in other states and it is not convenient to set them out herein at this time, but they will be produced upon a trial of this case.

EXHIBIT "E."

List of Bonds of Cameron County Water Improvement District No. One on deposit, who have signed the Plan and Agreement to refund as given in this Petition. This does not include all of the Bonds signed up for there are more than 66 2/3% having signed up and agreed to the Plan, but a great many of them are held by individuals and Companys and not deposited, and some of the Bonds deposited in Banks are not available for listing at this time, but this list does include more than 30%, as required by law, as follows:

On Deposit in the First National Bank of Harlingen:

No.	Amount	Received from:
873	1,000.00	Chas. Barnard.
874	1,000.00	"
886	1,000.00	"
887	1,000.00	"
888	1,000.00	"
889	1,000.00	"
890	1,000.00	"
907	1,000.00	"
908	1,000.00	"
909	1,000.00	"
627	1,000.00	Christian G. McMillan.

No.	Amount	Received from:
629	1,000.00	Christian G. McMillan.
631	1,000.00	"
1035	500.00	W. Fleishbacher.
209	1,000.00	"
163	1,000.00	"
340	1,000.00	Bank of American National Trust and Savings Association.
342	1,000.00	"
344	1,000.00	"
346	1,000.00	"
348	1,000.00	"
419	1,000.00	"
421	1,000.00	"
423	1,000.00	"
425	1,000.00	"
427	1,000.00	"
734	500.00	Avery Fuller Childrens' Center.
769	500.00	"
770	500.00	"
772	500.00	"
774	500.00	"
776	500.00	"
265	1,000.00	"
283	1,000.00	Mrs. J. B. Maynard.
150	1,000.00	Eva de Gress Loubens.
354	1,000.00	Arthur H. Vincent.
356	1,000.00	"
505	1,000.00	"
626	1,000.00	"
765	500.00	"
786	500.00	"
1031	500.00	Donald S. Hopkins
924	1,000.00	"
925	1,000.00	Donald S. Hopkins
940	1,000.00	"
941	1,000.00	"
113	1,000.00	David F. Selby
809	500.00	Henry P. Linsoln, Trustee

No.	Amount	Received from:
458	1,000.00	Elizabeth C. Kolb.
248	1,000.00	Henry H. Tracy
422	1,000.00	Henry P. Lincoln, Trustee.
424	1,000.00	"
211	1,000.00	Letus N. Crowell
840	500.00	"
592	1,000.00	Dorothea Hager
134	1,000.00	Blanche Trenwith Clinton
136	1,000.00	"
218	1,000.00	Katherine Brown
216	1,000.00	"
296	1,000.00	First Nat'l Bank (Trust & Savings) Chico, California.
298	1,000.00	"
300	1,000.00	"
410	1,000.00	"
412	1,000.00	"
892	1,000.00	Victor G. Berrian.
391	1,000.00	Raegan County, Texas.
393	1,000.00	"
395	1,000.00	"
397	1,000.00	"
389	1,000.00	"
226	1,000.00	The Plym Company
228	1,000.00	"
230	1,000.00	"
232	1,000.00	"
234	1,000.00	"
272	1,000.00	James O'Murph.
582	1,000.00	Louis H. Cromwell.
952	1,000.00	Priscialla F. Alden.
953	1,000.00	"
368	1,000.00	James G. Canby, Jr.
501	1,000.00	George P. McNear.
510	1,000.00	"
512	1,000.00	"
514	1,000.00	"
516	1,000.00	"

No.	Amount	Received from:
518	1,000.00	George P. McNear.
520	1,000.00	"
522	1,000.00	"
524	1,000.00	"
526	1,000.00	"
281	1,000.00	F. T. Favour.
236	1,000.00	Ed. Boehms Sons.
238	1,000.00	"
240	1,000.00	"
362	1,000.00	Wm. G. Griffith.
276	1,000.00	Edwin E. Hagemann.
247	1,000.00	Realty Acceptance Corporation.
249	1,000.00	"
251	1,000.00	"
929	1,000.00	"
930	1,000.00	"
387	1,000.00	Realty Acceptance Corporation.
257	1,000.00	"
895	1,000.00	Wm. P. Hopkins.
898	1,000.00	"
921	1,000.00	"
1023	500.00	"
1024	500.00	"
1030	500.00	"
590	1,000.00	Laura A. W. Dutton.
372	1,000.00	Harry May.
429	1,000.00	Clementine Monet.
431	1,000.00	"
433	1,000.00	"
435	1,000.00	"
437	1,000.00	"
439	1,000.00	"
441	1,000.00	"
443	1,000.00	"
445	1,000.00	"
447	1,000.00	"
449	1,000.00	"
451	1,000.00	"

No.	Amount	Received from:
915	1,000.00	R. L. Hill.
270	1,000.00	"
906	1,000.00	"
905	1,000.00	"
904	1,000.00	"
914	1,000.00	"
964	1,000.00	Lee M. Green.
965	1,000.00	"
966	1,000.00	"
999	1,000.00	"
1015	1,000.00	"
1048	500.00	"
1049	500.00	"
1050	500.00	"
1051	500.00	"
1052	500.00	"
1053	500.00	"
1054	500.00	"
360	1,000.00	"
361	1,000.00	"
374	1,000.00	"
376	1,000.00	"
411	1,000.00	"
413	1,000.00	"
415	1,000.00	"
746	500.00	"
747	500.00	"
761	500.00	"
763	500.00	"
768	500.00	"
748	500.00	Chris Walz.
613	1,000.00	Mr. Sam Botts, Trustee.
103	1,000.00	"
129	1,000.00	"
131	1,000.00	"
133	1,000.00	"
135	1,000.00	"
137	1,000.00	"

No.	Amount	Received from:
139	1,000.00	Mr. Sam Botts, Trustee.
141	1,000.00	"
143	1,000.00	"
145	1,000.00	"
147	1,000.00	"
878	1,000.00	"
881	1,000.00	"
882	1,000.00	"
738	500.00	"
740	500.00	"
289	1,000.00	"
123	1,000.00	"
872	1,000.00	"
127	1,000.00	"
380	1,000.00	"
382	1,000.00	"
384	1,000.00	"
386	1,000.00	"
388	1,000.00	"
390	1,000.00	"
392	1,000.00	"
394	1,000.00	"
396	1,000.00	"
398	1,000.00	"
400	1,000.00	"
402	1,000.00	"
404	1,000.00	"
406	1,000.00	"
408	1,000.00	"
785	500.00	"
787	500.00	"
789	500.00	"
791	500.00	"
1059	500.00	"
1060	500.00	"
1061	500.00	"
1062	500.00	"
1063	500.00	"

No.	Amount	Received from:
1064	500.00	Mr. Sam Botts, Trustee.
1065	500.00	"
500	1,000.00	"
636	1,000.00	"
637	1,000.00	"
830	500.00	"
832	500.00	"
834	500.00	"
836	500.00	"
838	500.00	"
842	500.00	"
996	1,000.00	"
997	1,000.00	"
998	1,000.00	"
682	500.00	"
128	1,000.00	"
130	1,000.00	"
132	1,000.00	"
122	1,000.00	"
883	1,000.00	"
124	1,000.00	"
154	1,000.00	"
156	1,000.00	"
158	1,000.00	"
165	1,000.00	"
167	1,000.00	"
169	1,000.00	"
171	1,000.00	"
181	1,000.00	"
183	1,000.00	"
1026	500.00	"
1027	500.00	"
876	1,000.00	"
287	1,000.00	"
720	500.00	"
722	500.00	"
826	500.00	"
828	500.00	"

No.	Amount	Received from:
1002	1,000.00	Mr. Sam Botts, Trustee.
1003	1,000.00	"

$71,500 owned by R. T. Stewart of Oklahoma City, Oklahoma, and the Mid-Continent Life Insurance Company of Oklahoma City, Oklahoma. The numbers of the Bonds are not given.

$14,000 of Bonds owned by Wheeler County, the numbers not given.

No.	Amount	Received From	Where Deposited.
263	1,000.00	American Genl. Ins. Co., Houston, Texas.	Nat'l Bank of Commerce, Houston, Texas.
263	1,000.00	American Gen'l Ins. Co., Houston, Texas.	Nat'l Bank of Commerce, Houston, Texas.
262	1,000.00	"	"
264	1,000.00	"	"
716	500.00	"	"
775	500.00	"	"
216	1,000.00	F. H. Brown, Nebraska, Apts., Brownsville, Tex.	1st Nat'l Bank of Harlingen, Texas.
218	1,000.00	"	"
424	1,000.00	S. C. Crowell, Turlock, California.	Nat'l Bank of Turlock, Turlock, California.
932	1,000.00	"	"
507	1,000.00	"	"
509	1,000.00	"	"
511	1,000.00	"	"
876	1,000.00	First National Bank, Kalamozoo, Michigan.	First National Bank, Kalamazoo, Michigan.
877	1,000.00	Mary C. Lewis, Houston, Texas.	State National Bank, Houston, Texas.

803	500.00	C. J. Moore, Brown-Crummer Company, Dallas, Texas.	Brown-Crummer Company, Kirby Bldg., Dallas, Tex.
807	500.00	"	"
808	500.00	"	"
638	1,000.00	"	"
639	1,000.00	"	"
640	1,000.00	"	"
641	1,000.00	"	"
642	1,000.00	"	"
643	1,000.00	"	"
644	1,000.00	"	"
645	1,000.00	"	"
224	1,000.00	Fayetteville State Bank, Fayetteville, Texas.	Farmers State Bank, Fayetteville, Texas.
222	1,000.00	"	"
177	1,000.00	"	"
175	1,000.00	"	"
173	1,000.00	"	"
473	1,000.00	Slavonic Benevolent Order of Texas, Fayetteville, Texas.	Farmers State Bank, Fayetteville, Texas.
475	1,000.00	"	"
490	1,000.00	Union National Bank, Wichita, Kansas.	Union National Bank, Wichita, Kansas.
492	1,000.00	"	"

No.	Amount	Received From	Where Deposited
494	1,000.00	Union National Bank, Wichita, Kansas.	Union National Bank, Wichita, Kansas.
496	1,000.00	"	"
498	1,000.00	"	"
252	1,000.00	"	"
—	4,000.00	Joseph A. Mullen.	South Texas Commercial National Bank, Houston, Texas.
—	36,000.00	Neughbirs of Wooderaft.	Federal Reserve Bank, San Antonio, Texas.
162	1,000.00	James Davis.	4th National Bank, Wichita Kansas.
164	1,000.00	"	"
202	1,000.00	"	"
204	1,000.00	"	"
206	1,000.00	"	"
278	1,000.00	"	"
280	1,000.00	"	"
282	1,000.00	"	"
440	1,000.00	"	"
442	1,000.00	"	"
—	2,000.00	F. F. Foote.	Northern Tr. Co., Chicago, Illinois.

875	1,000.00	C. N. Flint.	Security First Nat'l Bank, Los Angeles, Cali.
871	1,000.00	"	"
885	1,000.00	"	"
891	1,000.00	"	"
1022	500.00	"	"
1025	500.00	"	"
508	1,000.00	J. R. McMillan.	Oakland, California.
513	1,000.00	"	"
515	1,000.00	"	"
517	1,000.00	"	"
835	500.00	Mrs. Alice H. Cobert.	Farmers & Merchants Savings Bank, Oakland, Cal.
254	1,000.00	Concho County, Texas.	
258	1,000.00	O. L. Sims Co.	Paint Rock, Texas.
261	1,000.00	"	"
172	1,000.00	O. J. Wintermon.	Union Nat'l Bank, Houston, Texas.
74	1,000.00	"	"
76	1,000.00	"	"
78	1,000.00	"	"
246	1,000.00	"	"
250	1,000.00	"	"

No.	Amount	Received From	Where Deposited.
399	1,000.00	O. J. Wintermon.	Union Nat'l Bank, Houston, Texas.
417	1,000.00	"	"
462	1,000.00	"	"
704	1,000.00	"	"
724	1,000.00	"	"
771	1,000.00	"	"
773	500.00	"	"
780	500.00	"	"
784	500.00	"	"
844	500.00	"	"
850	500.00	"	"
846	500.00	"	"
448	500.00	"	"
566	1,000.00	F. F. Madden.	
570	4,000.00	"	
468	4,000.00	"	
572	4,000.00	"	
688	500.00	A. F. Brieling.	Bank of America, Healdsburg, Cali.
690	500.00	A. F. Brieling.	Bank of America, Healdsburg, Cali.

573	1,000.00	Jas. Goldstone.	Alamo National Bank, San Antonio, Texas.
575	1,000.00	"	"
799	500.00	"	"
801	500.00	"	"
460	1,000.00	"	"
438	1,000.00	Leo W. Goldstone	Alamo National, San Antonio, Texas.
797	500.00	"	"
795	500.00	"	"
777	500.00	"	"
220	1,000.00	Bell County, Texas.	National Bank of Commerce, San Antonio, Texas.
229	1,000.00	"	"
231	1,000.00	"	"
233	1,000.00	"	"
235	1,000.00	"	"
519	1,000.00	"	"
579	1,000.00	"	"
650	1,000.00	"	"
837	500.00	"	"
329	1,000.00	J. R. Reese.	Kansas State Bank, Newton, Kansas.
367	1,000.00	"	"

No.	Amount	Received From	Where Deposited.
338			
739			
496			
767			
521			
523			
525			
529	$14,000	Carr Maroney & Company.	Frost National Bank.
559			
563			
565			
569			
591			
790			
792			

77

VIII.

Your Petitioner alleges that no fees or compensation or allowance for attorneys, agents or committees have been agreed upon or assessed against said District or will be paid out of the revenues received from said funds.

IX.

Your Petitioner alleges that the plan offered the creditors is fair and equitable and for the best interests of the creditors, does not discriminate unfairly in favor of any class of creditors, complies with the provisions of this law and has been accepted and approved by the number of creditors required by law, and that said plan is offered in good faith, and will be a great saving to your Petitioner and to its farmers.

X.

Your Petitioner further alleges that the indebtedness of this district is divided into classes, and each class has a different kind of security; that one class might be styled as the employees or workmen necessary to carry on the business of this applicant and supply water to the farmers with efficiency. That this class of people is paid every fifteen days, and would be in no way affected by this Petition. That the approximate amount due them is only a small sum since they were paid on the third Monday in this month, the same being Dec. 3rd; and the indebtedness to them is practically nothing. The indebtedness to other parties is as follows:

$24,000.00 par value of 7 per cent notes, payable serially and payable to bearer, but sold to Brown-Crummer, Wichita, Kansas. These notes are for im-

provements and are in no way involved in the present readjustment, and the security is entirely different, they being secured by a pledge of a part of the Flat Rate annually until the notes are fully paid.

In addition, the District owes the following notes:

W. H. Maupin, Harlingen, Texas	$2,500.00
Taylor Lumber Company, Harlingen, Texas	1,288.77
Mrs. R. Starnes, Harlingen, Texas	3,306.36
First National Bank, Harlingen, Texas...	5,000.00
V. & G. Construction Company,	
78 Harlingen, Texas	159.92
A. W. Armstrong, Harlingen, Texas	5,607.46
G. C. Howell, Blue Bonnett Hotel, San	
Antonio, Texas	10,000.00
R. L. Ware, Harlingen, Texas	12,000.00
Mrs. K. Brown, Brownsville, Texas.....	18,510.49
Mrs. M. Engelbrecht	1,249.74
A. Foltz, Harlingen, Texas	10,000.00

That all of the above sums were borrowed because of the depression and each one of them is secured differently, and are in a different class from the bond holders,—being secured out of flat rates or assessments collected by the District and are not affected by the refunding order in no way.

Wherefore, premises considered, your petitioner prays the Court that upon final hearing that this plan of readjustment of its bonded debt be confirmed under the provisions of the bankruptcy laws of the United States and particularly the provisions of the municipal bankruptcy law above referred to and that this Honorable Court enter its order on final hearing compelling the non-assenting bondholders who constitute less than 10% of the bonded indebtedness of your petitioner and particularly the contestants herein be required to accept the provisions of the readjustment plan of the district, which readjustment plan is

similar to a composition of the creditors; and that your petitioner have such other and further relief, legal and equitable, both in law and in equity to which it may show itself entitled to receive and for which it will ever pray.

GREENWOOD & LEWIS,
By W. B. LEWIS,
Attorneys for Petitioner.

State of Texas,
County of Cameron.

Comes now H. L. Starnes, Manager of the Board of Directors of Cameron County Water Improvement District Number One, petitioner herein, who states on oath that he has read the above and foregoing petition and that the allegations of fact contained therein are true and correct to the best of his knowledge and belief and that said Second Amended Original Petition, as well as the original and First Amend-
79 ed Original Petition, filed herein, were filed pursuant to an order of the Board of Directors of said District passed and entered in the minutes of said District on the 1st day of June, 1934.

H. L. STARNES, Affiant.

Sworn and Subscribed to before me this 5 day of December, 1934.

W. B. LEWIS,
(Seal) Notary Public, Cameron County, Texas.

CONTEST TO PETITION AND MOTION TO DISMISS.

80 Filed October 1, 1934.

(Title Omitted.)

Now come C. E. Ashton of Harris County, Texas, J. W. Terry of Galveston County, Texas, individually

and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin and L. E. Wood of San Francisco County, California, and West Coast Life Insurance Company, a corporation, creditors of Cameron County Water Improvement District No. One of Harlingen, Texas, owning more than five per cent (5%) in amount of the indebtedness of said District, affected by the proposed plan of reorganization set out in the petitioner's petition and file this contest of the facts alleged in petitioner's petition and move the Court to dismiss said petition as being insufficient in law and in fact for the following reasons, to-wit:

1.

The petition is insufficient because it does not show that thirty per cent (30%) of the bondholders have accepted the plan, the general allegation to that effect being insufficient.

2.

It appears from the petition that petitioner has not made a reasonable effort to ascertain the names and residences of two-thirds of the bondholders, which petitioner generally alleges have accepted the plan.

3.

The Court is without jurisdiction and the petition does not show cause for relief because there is no provision in the Constitution of the United States
81 which authorizes Congress to pass the Act as applied to this case, and since this is not a proceeding in bankruptcy as contemplated by the clause in the Constitution of the United States which gives Congress the authority to pass uniform laws regulating the subject of bankruptcy.

4.

This Court is without jurisdiction over the proceedings and the petition filed herein does not show any cause for relief because the Act purporting to authorize these proceedings operates to deprive these contestants of their property without due process of law in violation of the Fifth Amendment to the Constitution of the United States.

5.

The petition is insufficient because the Legislature of Texas prior to the filing of the petition had passed no act which would authorize the petitioner herein to accept the benefit of or proceed under the Act of Congress relied on.

6.

Even if the Act of the Legislature of Texas passed since the filing of this petition be held applicable, the same is unconstitutional and void in that the Legislature of the State of Texas has no authority to confer jurisdiction on Congress or on this Court, and it cannot surrender to Congress any of its powers, or enlarge the authority of Congress by undertaking to consent thereto and because further no one state by its consent may enlarge the authority of Congress over this or any subject or delegate its authority to Congress, and because additional authority cannot be conferred upon Congress by any one state, but only by an amendment to the Constitution, as therein provided.

7.

Any attempt of the Legislature of the State of Texas to confer additional authority as applied to this

subject on Congress, or authorize the acceptance of the act relied on by the petitioner, would in legal effect impair the obligation of the contracts evidenced by the bonds and authorized by the Constitution and Statutes of the State of Texas. Any such
82 attempt of the Legislature would violate that provision of the Constitution of the United States which prohibits the states from impairing the obligation of contracts.

7.

Any Act of the Texas Legislature empowering the petitioner in this cause to take advantage of the Act of Congress would be in excess of the powers granted to the Legislature of the State of Texas by the Constitution of Texas and would be in contravention of the express limitation placed upon the Legislature of Texas by the Constitution of Texas, to-wit, prohibition against the impairment of contracts and guaranty that no one person shall be deprived of its property without due process of law.

8.

It appears upon the face of petitioner's petition that the proposed plan of reorganization is dependent upon the securing of funds from the Reconstruction Finance Corporation for the purpose of refunding the bonded indebtedness of the petitioner and that the petitioner is engaged solely in the development and operation of an intrastate project confined to the boundaries of the State of Texas and of a single county thereof, so that the project is beyond the scope of powers of the Federal Government or of any federal agency and particularly the Reconstruction Finance Corporation, which is only authorized to advance funds to projects of an interstate character and the Act purporting to

authorize the Reconstruction Finance Corporation to advance funds to districts such as petitioner herein is, therefore, not authorized by the constitutional grants of power to the Congress of the United States.

9.

These contestants now controverting facts alleged in the petition, in order to show that they own five per cent (5%) of the outstanding bonds of the petitioner, allege that they each own bonds as
83 follows:

C. L. Ashton of Harris County, Texas, owns bonds of par value of	$5,000.00
J. W. Terry of Galveston County, Texas, owns bonds of par value of	10,000.00
J. W. Terry as Trustee for Rebecca Terry owns bonds of par value of	5,000.00
C. W. Griffin of San Francisco County, California, owns bonds of par value of	5,000.00
A. G. Griffin of San Francisco County, California, owns bonds of par value of	5,000.00
L. E. Wood of San Francisco County, California, owns bonds of par value of ...	2,000.00
West Coast Life Insurance Company, a corporation, owns bonds of par value of	46,500.00
Total	$78,500.00

11.

Contestants admit the allegations in paragraph I of the petition save and except the allegation that Public Bill Number 251 of the 73rd Congress, H. R. 5950, is in full force and effect, which allegation is denied.

12.

Contestants admit the allegations contained in paragraph II of the petition.

13.

Referring to the allegations in paragraph III of the petition, contestants deny that petitioner is insolvent and unable to meet its debts in so far as such allegation applies to the bonds of petitioner, and contestants herein show that taxes heretofore levied to pay the interest and retire bonds as the same mature would be amply sufficient for that purpose were they collected and that the taxes which hereafter can be assessed, levied and collected will be amply sufficient for such purpose in the future.

Contestants herein allege that the property in said District subject to taxation is of the value
84 of not less than Ten Million Dollars ($10,000.00); that said property is assessed for taxation at not less than Six Million Three Hundred Twenty-five Thousand Dollars ($6,325,000); that said district has a population of about twenty thousand (20,000).

Contestants herein show that the rate of tax which can be levied to provide for interest on the bonds and payment of the principal as the same mature is unlimited: that the rate of tax now levied to provide principal and interest on the bonds is $1.20 on the $100 of the assessed value; and that if such rate does not provide sufficient funds to enable petitioner to pay its debts it should be increased.

Contestants aver that as late as February 23, 1933, said District by its officer and manager signed a state-

ment showing that the District was in a solvent condition; that the District paid the interest on the bonds to and including April, 1933. Contestants aver that if the District has been without funds since then to pay the interest on said bonds, it is because the officials of the District have failed to enforce the collection of taxes; that the inability of the petitioner to pay the interest on the bonds is due to its own neglect to collect taxes for the Government has delegated to it the matter of collecting taxes from the property owners of said District; and such taxes are a first lien on all of the property in said District and that this is not a proper test of insolvency; otherwise any District could make itself insolvent and thereby apply for a fifty per cent reduction in its indebtedness merely by not collecting its taxes.

Contestants are informed and aver accordingly that the assessed value of the land in said District is $156 per acre, and the average value of the land is $350 per acre; that the total bonded indebtedness per acre is not more than $18.77, and that there are under cultivation in said District 38,376 acres. The
85 acreage in said District subject to tax is 40,549 acres. Herein contestants specifically deny that petitioner is insolvent or unable to meet its debts as they mature.

Contestants admit that economic conditions have rendered the payment of taxes and debts by the farmers of Cameron County Water Improvement District No. One difficult; but deny that such payment will in the future be impossible, and further deny that any such condition as is required by Section 80, Chapter LX of House Bill 5950 has been created in Cameron County Water Improvement District No. One.

14.

Contestants admit the allegations of paragraph IV except the allegations in the second paragraph thereof

that the District became unable and has become unable to pay its maturing indebtedness and that said District is within the provisions of Section 80 of H. B. 5950, which allegation is denied.

15.

Referring to paragraph V of the petition, contestants are without information necessary to specifically answer the same, and they therefore demand proof that the Reconstruction Finance Corporation decided that it would be a fair proposition to pay the bondholders 49.8c on each dollar of principal, and herein contestants aver that if the Finance Corporation did make such a decision it was ex parte and without giving contestants, either or any of them, an opportunity to be heard. Contestants aver that if any such decision was made by the Finance Corporation, that the same is without due regard to the facts and is inequitable and unjust to these contestants, and is of no force and effect in this proceeding.

Contestants are without information as to the efforts made by petitioner and negotiations with Reconstruction Finance Corporation set out in paragraph V, and are without information as to any agreement reached between said District and the Reconstruction Finance Corporation.

86

16.

Referring to paragraph VI of the petition, contestants are without information to answer same specifically and, therefore, demand proof that the loan mentioned therein was made by the Finance Corporation, and herein aver that if it was made or agreed to, such making or agreement was illegal because the Finance Corporation was without authority to make such a loan without first having shown to it that two-thirds of the bondholders had agreed to accept 49.8c on

the dollar of the principal of the bonds, and allege that it was not shown to such Corporation that any such consent had been made by two-thirds of such bondholders.

17.

Referring to paragraph VII of the petition, contestants are without adequate information to answer the same and demand strict proof that thirty per cent (30%) of the bondholders accepted the plan before the filing of the petition.

18.

Referring to paragraph VIII of the petition, contestants are without sufficient information to answer the same and demand proof that 66-2/3 per cent of the bondholders have accepted or will accept the plan.

19.

Referring to paragraph IX of the petition, contestants adopt the answer thereto which they have made to paragraph VII.

20.

Referring to paragraph X of the petition, contestants are without information as to the allegations made and allege that petitioner has not used due diligence to ascertain or reveal the names and residences of the bondholders who have made written acceptances of the plan.

21.

Contestants are without information as to the allegations contained in paragraph XI of petitioner's petition.

87 21.

Referring to paragraph XII of the petition, contestants deny that the plan offered is fair and equitable

and for the best interest of the creditors and does not discriminate unfairly in favor of any class of creditors and complies with the provision of this law. With regard to the other allegations in the said paragraph, contestants are without knowledge and demand strict proof of same.

22.

Referring to paragraph XIII of the petition, contestants are without information to answer the same specifically and therefore demand strict proof thereof.

23.

Referring to paragraph XIV of the petition, contestants are without information to answer the same and demand strict proof thereof, and herein contestants allege that these contestants, and no one of them, have ever accepted this plan.

24.

Referring to paragraph XV of the petition, contestants are without information to answer the same, and therefore demand strict proof thereof.

In Consideration Whereof, contestants pray that petitioner's petition be dismissed.

Respectfully submitted,

W. P. HAMBLEN,
Attorney for C. L. Ashton,
JOYCE COX,
Attorney for J. W. Terry, individually and as trustee for Rebecca Terry,
BAKER, BOTTS, ANDREWS & WHARTON,
By PALMER HUTCHESON,
Attorney for C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company, a corporation.

88 The State of Texas,
County of Harris.

Now comes, W. P. Hamblen, attorney for C. L. Ashton, who states on oath that he has read over the above contest and the same is true and correct to the best of his knowledge and belief; also J. W. Terry, individually and as trustee for Rebecca Terry White, who states on oath that he has read over the above contest and the same is true and correct to the best of his knowledge and belief; and also appears Palmer Hutcheson, attorney for C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company, who states on oath that he has read over the above contest and the same is true and correct to the best of his knowledge and belief.

J. W. TERRY,
W. P. HAMBLEN,
PALMER HUTCHESON.

In Testimony Whereof, witness my hand and official seal of office, this first day of October, A. D. 1934.

L. C. MASTERSON,
(Seal) Clerk, U. S. Dist. Court, So. Dist. Texas.

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89 OPINION OF THE COURT.

Filed Dec. 1, 1934.

(Title Omitted.)

A. L. Montgomery, of San Benito, Texas, and Greenwood & Lewis and W. B. Lewis, of Harlingen, Texas, for Petitioner.

W. P. Hamblen, Baker, Botts, Andrews & Wharton, and Palmer Hutcheson, of Houston, Texas, and Joyce Cox, of Galveston, Texas, for Contestants.

December 1, 1934.

KENNERLY, District Judge:

Cameron County Water Improvement District No. One (referred to for convenience as Petitioner) filed

in this Court, July 17, 1934, its Petition, and August 22, 1934, its Amended Petition, seeking readjustment of its outstanding Bonds, under the Act of Congress of May 24, 1934, relating to the Emergency Temporary Aid of Public Debtors, and Amendatory of the Bankruptcy Act of July 1, 1898 (Sections 301, 302 and 303, Title 11, U. S. C. A.) The petition
90 was set for hearing for October 1, 1934, and on that date, C. L. Ashton, J. W. Terry, individually and as Trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin, L. E. Wood, and West Coast Life Insurance Company (referred to for convenience as Contestants), alleging that they owned Bonds of Petitioner aggregating approximately $78,000 (being more than 5% of Petitioner's Bonds outstanding), appeared and filed an Intervention and Contest, thereby, and by their Motion to Dismiss, raising various questions regarding the Constitutionality of such Act of Congress, the Jurisdiction of this Court of such Petition, and the sufficiency of the Petition.

The facts shown by, and fairly deducible from, such Petition are:

(a) While the Petition wholly fails to set forth the time of, manner of, and authority for, the organization of Petitioner as a Water Improvement District, which it claims to be, and fails to set forth clearly the date, manner of issue, number, amount and terms and conditions of the Bonds which Petitioner seeks to have readjusted (and probably should be stricken for indefiniteness in that respect), it appears generally therefrom, from the briefs, and from the Texas Statutes, that Petitioner is an Irrigation District, containing approximately 42,000 acres of land in
91 Cameron County, Texas, in this District and Division, organized under certain Acts of the Legislature of Texas, which were codified as, and are

now, Articles 7622 [1] to 7807, inclusive, of the Texas Revised Civil Statutes of 1925, which Statutes were apparently passed in accordance with Section 52 of Article III, and Section 59a of Article XVI of the Texas Constitution. It further appears that such Bonds were issued, and tax levy or levies made against all property in the District, to provide for the payment of the principal and interest thereon, in accordance with such Statute. And that such tax levies are and constitute liens on and against all such property, which liens still exist and are in full force and effect.

92 (b) Petitioner alleges it has outstanding approximately $800,000 of such Bonds, a part of which are known as Cameron County irrigation District No. One (the former name of Petitioner) Bonds, and part as Cameron County Water Improvement District No. One (the present name of Petitioner) Bonds.

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[1] Article 7622 is as follows:

"Article 7622. Water Improvement Districts Established. The county commissioners' court of any county in this State at any regular or called session thereof may establish one or more water improvement districts in their respective counties, or parts of such districts therein, in the manner hereinafter provided. Such districts may or may not include within their boundaries villages, towns, cities, and municipal corporations, or any part thereof, but no land shall be at the same time included within the boundaries of more than one water improvement district created under this chapter. Such districts when so established may make improvements or may purchase improvements already existing, or may purchase improvements and make additions thereto, and may issue bonds in payment therefor, as herein provided. Such districts being authorized to provide for the irrigation of the land included therein, and when operating under Section 59 of Article 16 of the Constitution, furnish water for domestic, power and commercial purposes. Such districts may be formed for co-operation with the United States under the Federal Reclamation Laws for the purpose of the construction of irrigation works, including drainage works, necessary to maintain the irrigability of the land for the purchase, extension, operation or maintenance of constructed works or for the assumption, as principal or guarantor, of indebtedness to the United States on account of district lands. (Acts 2nd C. S., 1919, p. 65, part Sec. 1.)"

(c) That Petitioner has been supplying water for irrigation to farmers in such District for approximately twenty years, and (quoting from the petition):

"That about two and a half years ago the country entered into a general financial depression causing great reduction in the price which the farmers received for their fruits and vegetables; the price being placed at such a low basis that even it did not pay the cost of production, thereby making it impossible for the farmers of said District to pay their Flat Rates and bond tax; and created a condition as described fully in Section 80, Chapter LX of said House Bill Number 5950, mentioned above, and did create such a condition that this Petitioner is insolvent and is unable to meet its debts as they mature, and that this District desires to effect a plan of re-adjustment of its debts as provided by Section 80 above described."

(d) There is no allegation and apparently no claim that an effort has been made by petitioner to collect the tax levied to pay the Bonds. It must be assumed there has been no such effort. There
93 is no allegation and apparently no claim that there has been any loss of, or depreciation in the value of, the property in such District upon which such tax is a lien, and no showing that the full amount of such tax may not be speedily realized and collected by the diligent enforcement by Petitioner of the Law for the collection thereof. The sole claim is that during one or more years of the "financial depression," the price received by farmers for their fruits and vegetables has been below the cost of production, making them unable to pay their "Flat Rates" and "Bond Tax." Whether taxpayers other than farmers are so situated, is not shown. Presumably they are not, or Petitioner would have alleged it.

(e) It is further alleged that Petitioner (italics mine):

"decided that a fair proposition to all concerned would be to pay the bond holders 49.8 cents upon each dollar of principal, which the Reconstruction Finance Corporation agreed to furnish and agreed to loan to the District at four (4%) percent interest instead of six (6%) percent; said proposition being *absolutely satisfactory to Cameron County Water Improvement District Number One, your Petitioner herein.*"

(f) Petitioner alleges that it has written acceptances from holders of more than 30% of the outstanding Bonds, and will upon a hearing have acceptances from holders of 66-2/3% required by such Act of Congress.

94 1. The first inquiry is as to the legal status of Petitioner and of the Bonds in question. That Petitioner, so far as disclosed by its Petition, is merely an Agency or Instrumentality of the State of Texas, created by the State for the purpose of the local exercise of the State's sovereign powers, is clear. The reclamation of arid land by irrigation has long been recognized to be a matter of public interest, for the general welfare, and a governmental function. The property of the District is not private property, but public property. Petitioner is not carrying on private business, but public business.

The Bonds are contracts, constitutionally and statutorily executed by, the State of Texas, through Petitioner, its Local Agency, secured by taxes levied against property in the District, which taxes are secured by liens against such property. Articles 7622 to 7807, inclusive, Texas Revised Civil Statutes. McQuillan Law of Municipal Corporations (Second Edition 1928, Secs. 125 and 135). T. & P. Ry. Co. v. Ward County

Irrigation District No. 1, 112 Tex. 593, 251 S. W. 212. Fallbrook Irrigation District v. Bradley, 164 U. S. 112, 41 L. Ed. 369. Parker v. El Paso County Water Improvement District No. 1, 297 S. W. 737. Robbins v. Limestone County, 114 Tex. 345, 268 S. W. 915. Baker v. Dunning, 77 Tex. 28, 13 S. W. 617.

95 2. The Bonds being obligations of Texas, a Sovereign State, and/or Petitioner, its Agency, does Congress have the power to confer upon this Court jurisdiction to readjust same in the manner set forth in such Act of Congress?

Legal writers, generally, find in the Roman Law the germ of modern Bankruptcy Statutes. There are those, however, who find it in the Mosaic Law at a much earlier date (The System Bible Study, page 200 [2]). Relief by Bankruptcy is some form is provided by the Laws of substantially all civilized countries. In the United States, the Constitution makes provision for such Laws. [3] There have been four Bankruptcy Acts, including the one now in force. The

[2] "Jubille, Year of.—The great semi-centennial epoch of the Hebrews; constituting a festival, and marked by striking public and domestic changes. It was the final consummation of the sabbatical system, according to which every seventh day was a sabbatical day, every seventh year a sabbatical year, and every fiftieth year (i. e., every year following after the close of seven sabbatical periods, each of seven years) a 'jubillee' year, beginning on the Day of Atonement, and ushered in by the blast of trumpets. The principal feature of this jubilee, and one not entirely unknown to other people, was the return of all landed estates, except houses built in walled towers, to the family whose inheritance it originally had been, irrespective of the manner in which it had been alienated. Minor features were the giving up of all pledges, the setting free of all servants, etc. No religious observances were prescribed. For details as given in the Bible, see Lev. 25:8-16, 23-55; 27:16-25." (System Bible Study, page 200).

[3] Section 8, Article I, of the Constitution of the United States: "The Congress shall have power * * * to establish * * * uniform laws on the subject of Bankruptcies throughout the United States; * * *."

96 First Act was passed April 4, 1800 (2 U. S. Stat. at Large 19), and repealed December 19, 1803 (2 U. S. Stat. at Large 248). The Second Act was enacted August 18, 1841 (5 U. S. Stat. at Large 440), and repealed March 3, 1843 (5 U. S. Stat. at Large 614). The Third Act was passed March 2, 1867 (14 U. S. Stat. at Large 517), was amended June 22, 1874 (18 U. S. Stat. at Large 178), and finally repealed September 1, 1878 (20 U. S. Stat. at Large 99). The Law now in force was enacted July 1, 1898 (30 U. S. Stat. at Large 544), and has been frequently amended, February 5, 1903 (32 U. S. Stat. at Large 797), June 15, 1906 (34 U. S. Stat, at Large 267), June 25, 1910 (36 Stat. at Large 838), etc. The Act under discussion (May 24, 1934) is one of five Amendments, passed by Congress during 1933 and 1934,[4] all entirely or to an extent enacted in connection with relief against the financial depression. It contains a declaration of National Emergency:

"There is hereby found, determined, and declared to exist a national emergency caused by increased financial difficulties of many local governmental units, which renders imperative the further exercise of the bankruptcy powers of the Congress of the United States. (July 1, 1898, c. 541, Sec. 78, as added May 24, 1934, c. 345, 48 Stat. 798)."

It is temporary in its nature, expiring two years from May 24, 1934.

97 The fact that it is temporary in its nature is of no consequence if it is contrary to the Federal Constitution. The fact that the Act was enacted during a declared National Emergency does not aid in its construction, nor does it create power in Congress to enact it. National Emergency may furnish the occasion for the exercise of power, if it

[4] Sections 201, 202, 203, 204, 205, 206, 301, 302 and 303, Title 11, United States Code Annotated.

exists, but cannot create the power. Home Building & Loan Association v. Blaidsell, 290 U. S. 426, 78 L. Ed. 423. Travelers' Insurance Company v. Schuyler B. Marshall, ... Tex. ...., ... S. W. .... (decided November 21, 1934).

Nor does an examination of the four Bankruptcy Acts (1800, 1841, 1867 and 1898), and cases [5] construing them, greatly aid.

The leading case under the Act of 1898 (Hanover National Bank v. Moyses, supra), while holding Section 8, Article 1, of the Constitution to be broad in its scope, falls far short of being authority for the view that Congress may confer Jurisdiction upon this Court to readjust, in the manner provided in this Act, Bonds issued by a Sovereign State and or its Agency, and payable out of funds provided by taxation, except by permission of such State. [6] I conclude that
98 Congress has no such power. And that this is true, no matter for what Governmental purpose such Agency may be created. The controling feature is that Petitioner, as shown by its Petition, is an Agency of the State, and one through which the State is exercising its Governmental functions of levying and collecting taxes to pay these Bonds issued and sold to enable Petitioner to perform a Governmental function of irrigating arid lands.

To hold otherwise would be not only to go far beyond the real purpose and meaning of Section 8, Article 1, of the Federal Constitution, but to strike

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[5] Hanover National Bank v. Moyses, 186 U. S. 181, 46 L. Ed. 1113. Hurley v. Devlin, 151 Fed. 919. In re Klein, Federal Case No. 7865. Leidigh Carriage Co. v. Stengel, 95 Fed. 637. In re California Pacific Railway Company, 4 Federal Case No. 2315. 1 Collier on Bankruptcy, 12 Edition 1921. Williams v. United States, Fidelity & Guaranty Co., 236 U. S. 549, 59 L. Ed. 713.

[6] My information is that a Bill giving such permission was introduced at the last Special Session of the Texas Legislature, but passed only one House of the Legislature. Whether under Travelers' Insurance Co. v. Marshall, supra, the Legislature has the power to give such permission is not before me.

down the long recognized rule that under our dual system of government (National and State), one Government may not by its Laws impair the sovereignty of the other. Although the National Government and the State Government exist within the same territorial limits, they act, each in their appropriate sphere, separately and independently, and it is indispensable to their preservation and safety that the sovereignty of each be preserved. As early as 1871, Mr. Justice Nelson, in Buffington v. Day (11 Wall. 113, 78 L. Ed. 126), in discussing the question of the right of the National Government to tax the salary of a
99 State Court Judge, uses this language:

"The Constitution guarantees to the states a republican form of government, and protects each against invasion or domestic violence. Such being the separate and independent condition of the states in our complex system, as recognized by the Constitution, and the existence of which is so indispensable, that, without them, the general government itself would disappear from the family of nations, it would seem to follow, as a reasonable, if not a necessary consequence, that the means and instrumentalities employed for carrying on the operations of their governments, for preserving their existence, and fulfilling the high and responsible duties assigned to them in the Constitution, should be left free and unimpaired; should not be liable to be crippled, much less defeated by the taxing power of another government, which power acknowledges no limits but the will of the legislative body imposing the tax. And, more especially, those means and instrumentalities which are the creation of their sovereign and reserved rights, one of which is the establishment of the judicial department, and the appointment of officers to administer their laws. Without this power, and the exercise of it, we risk nothing in saying that no one of the states, under the form of government guaranted by the Constitution could long preserve its existence. A despotic government

might. We have said that one of the reserved powers was that to establish a judicial department, it would have been more accurate, and in accordance with the existing state of things at the time, to have said the power to maintain a judicial department. All of the thirteen states were in the possession of this power, and had exercised it at the adoption of the Constitution; and it is not pretended that any grant of it to the general government is found in that instrument. It is, therefore, one of the sovereign powers vested in the states by their constitutions which remained unaltered and unimpaired, and in respect to which the state is as independent of the general government as that government is independent of the states."

The question of the maintenance of the
100 sovereignty of each government had more frequently arisen and been discussed in cases involving taxation.[7] but the principal is well grounded, and arises, and should be enforced in this case, where Petitioner, an Agency of a Sovereign State, and without permission of the State, is asking that it be relieved of liability for more than 50% of its Bonds.

In Indian Motorcycle Co. v. United States, supra, a distinction is pointed out between an agency of a Sovereign State engaged exclusively in public business, and one engaged wholly or in part in private business. If this distinction exists in a case such as this, which involves the power of Congress under Section 8, of Article 1, of the Federal Constitution, it is not necessary to discuss it here. Here, Petitioner, according to its Petition, is not engaged wholly or in part in private business, but exclusively in public business, and the Bonds which Petitioner is seeking to have readjusted *are payable from funds raised by taxation.*

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[7] Dobbins v. Erie Co., 16 Peters 435, 10 L. Ed. 1022. McCulloch v. Maryland, 4 Wheat. 316, 4 L. Ed. 579. Weston v. Charleston, 2 Peters 449, 7 L. Ed. 481. Lane County v. Oregon, 7 Wall. 76, 19 L. Ed. 101. Buffington v. Day, 11 Wall. 128, 20 L. Ed. 126. Willcuts v Bunn, 282 U S. 230, 75 L. Ed. 310. Indian Motorcycle Co. v. United States, 283 U. S. 574, 75 L. Ed. 1281.

101 3. Contestants say that even if the Act of Congress in question is Constitutional, and even if this Court has jurisdiction to administer the affairs of Petitioner under such Act, Petitioner's Petition, upon its face presents a financial situation or setup under which Petitioner is entitled to no relief.

It will be observed that the Texas Statutes under which Petitioner is organized, and under which the Bonds in question were issued, provide for the levy each year of a tax against the property in such District to raise funds to pay the Bonds and interest thereon. While Petitioner does not so state, the fair inference from Petitioner's Petition, and the presumption that Petitioner's officers have done their duty, is that the tax has been levied, the lien securing same fixed against the property in the District, and that under such Statutes, such lien is in full force and effect. As has been pointed out, Petitioner does not claim that the property against which said taxes are a lien no longer exist, or that it has depreciated in value to the extent that a sale thereof will not produce funds sufficient to pay the tax. Neither does the petition state what, if any, effort has been made to collect the tax or to enforce the payment thereof and the lien securing same. Without explanation as to the status of other taxpayers in the District, Petitioner contents itself with the allegation that the farmers in the District, during a period of time not set forth, have been unable to sell their products for an amount sufficient to pay the tax. There being no allegation other than this, there can be no proof other than this. Clear-

102 ly, therefore, Petitioner by its Petition does not present a case authorizing this Court to strike down more than 50% of the face value of the Bonds held by contestants, and require contestants to receive, in full settlement thereof, approximately 49.8% of their face value, when so far as appears from Petitioner's Petition, there may be funds available, or funds may become available, by the slightest diligence

on the part of Petitioner in collecting the tax levied to pay the Bonds in full. Clearly, the Act of Congress, if valid, does not contemplate or authorize a proceeding so unfair and inequitable.

There are many other questions presented which, under this view, I find it unnecessary to discuss. It follows from what has been said that Petitioner's Petition should be dismissed for want of jurisdiction.

Let an order be drawn and presented accordingly.

T. M. KENNERLY, Judge.

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103 ORDER OF DISMISSAL.

Filed Dec. 11, 1934.

(Title Omitted.)

Be It Remembered that on the 11 day of December, 1934, came on to be considered the petition filed herein by Cameron County Water Improvement District No. One seeking readjustment of its outstanding bonds upon the motion to dismiss the said petition of C. L. Ashton, J. W. Terry, individually and as trustee for Rebecca Terry White, C. W. Griffin, A. G. Griffin, L. E. Wood, and West Coast Life Insurance Company, owners of bonds of petitioner aggregating approximately $78,000, being more than five per cent of the total amount of petitioner's bonds outstanding, and came the petitioner by its attorneys of record, and contestants by their attorneys of record, and the Court having considered said petition and the motion to dismiss filed by contestants and the briefs of counsel, and being fully advised in the premises, is of the opinion as set forth in Opinion filed that the Act of Congress under which this proceeding is sought to be maintained is unconstitutional and void, and is further of the opinion that even if said Act is valid the facts alleged in the petition are not sufficient to entitle petitioner to invoke the jurisdiction of this Court there-

under, and that the petition should, therefore, be dismissed for want of jurisdiction.

It is Therefore Ordered, Adjudged and Decreed that the petition filed herein by Cameron County Water Improvement District No. One seeking readjustment of its outstanding bonds be and the same is hereby dismissed for want of jurisdiction, at petitioner's cost. To which action of the Court Petitioner in open Court excepted & gave notice of appeal to the U. S. Circuit Court of Appeals.

104

T. M. KENNERLY,
District Judge.

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105 MOTION FOR NEW TRIAL.

Filed Dec. 18, 1934.

No. 526 In Bankruptcy.

In Re: Cameron County Water Improvement District Number One.

To the Honorable T. M. Kennerly, Judge of said Court:

Comes now Cameron County Water Im-
106 provement District Number One, Petitioner in the above styled and numbered cause and files this its motion for a new trial in this case and respectfully requests this Honorable Court to set aside its opinion rendered herein on December 1, 1934, and judgment entered on December 11th, 1934, and for cause would show the following:

I.

The Honorable Court erred in holding in its opinion above referred to, that the Court did not have juris-

diction to hear and determine this cause, because the statute upon which the proceeding was based was unconstitutional and void, which statute has been heretofore held constitutional by six of the United States District Courts.

II.

That the second amended petition filed herein, with the approval of the Court, on December 5, 1934, fully and completely meets the objections raised to the insufficiency of the petition by the Court in its opinion.

III.

That this Honorable Court erred in holding that your petitioner was created for the purpose of performing "governmental functions," for the reason that the Courts of Texas, as well as the other Courts in the Nation, have uniformly held that the furnishing of water for irrigation was purely a proprietary function, which function is exercised by both private corporations and individuals, and the power to tax conferred upon your petitioner is incidental to its performance of the private or proprietary function of furnishing water for irrigation to the land owners within the corporate limits of the District, the purpose of the District not being primarily to levy and collect taxes, but to furnish water for irrigation, taxation being an incidental power.

107

IV.

That this Honorable Court erred in holding that your petitioner was created for the purpose of performing "governmental functions," since your petitioner was formed for the purpose of furnishing water for irrigation and matters necessary and incidental thereto,

which as a matter of law is a proprietary or corporate function, as the same is only a private benefit to the land owners within the corporate limits of your petitioner and not a benefit to the public generally, which the Courts have held to be purely a proprietary function.

V.

This Honorable Court erred in holding that the furnishing of water for irrigation to the land owners in a defined district, such as your petitioner, is an exercise of the sovereign power of the State of Texas and, therefore, not subject to the bankruptcy powers granted to Congress under Section 8, Article 1 of the Constitution of the United States:

First—Since the furnishing of irrigation to land in a defined district is purely a proprietary or corporate function as distinguished from a governmental function, which functions are performed by both corporate and individual citizens, which citizens, both corporate and individual, of the State of Texas performing the same functions have been held subject to the bankruptcy laws passed by Congress;

Second—That if this Honorable Court were correct in its conclusions that your petitioner is an arm of the Sovereign State of Texas, which is not admitted but expressly denied, the amendment to the bankruptcy law, under which this petition is brought, is not subject to the attack made upon it by the contestants and approved by this Honorable Court in its opinion, for the reason that no creditor or other person can strike down such state agency by a petition in bankruptcy, or otherwise interfere with your petitioner, but the petitioner alone can file such voluntary proceedings which is analogous to other bankruptcy proceedings permitting a composition of creditors and requiring

the minority to be bound by such composition and permitting farmers to file voluntary petitions in bankruptcy and prohibiting creditors from throwing such farmers into bankruptcy.

VI.

This Honorable Court erred in holding that the amendment of the bankruptcy statutes in question impaired the sovereignty of the states or encroached upon the rights of the states since:

First—The act in question is a bankruptcy statute, within the purview of the Constitution, which Constitution is a grant from both the states and the people;

Second—Because the act does not limit or destroy the sovereign powers of the state or agency of the state, but only authorizes certain municipalities, public corporations and local improvement districts, by their own voluntary acts, to take advantage of this exercise of the bankruptcy power.

VII.

This Honorable Court erred in holding that the act in question was unconstitutional, for the reason that the same was not the proper exercise of the bankruptcy power, or a bankruptcy statute, for the reason:

First—That Section 8, Article 1 of the Constitution confers plenary powers upon Congress to pass uniform laws governing bankruptcies;

Second—Because the act merely provides for a composition of creditors upon the agreement to accept a plan of readjustment by at least two-thirds of the

creditors in the case of your petitioner and other local improvement districts created in aid of agriculture, and by 75% of the creditors in the case of certain municipalities, and empowers the Court after issuance of process and hearing, to bind the non-assenting, minority of creditors by such readjustment;

Third—The act is not subject to the attack made upon it by the Court's opinion as an effort upon the part of Congress to exercise power not conferred upon it by the Constitution by reason of an emergency, but on the contrary the same is simply the exercise of a latent or potential power conferred upon Congress by Section 8 of Article 1 of the Constitution to mean an economic emergency.

109

VIII.

This Honorable Court erred in holding that the Act in question impaired the sovereignty of the states and that petitioners who are merely funded creditors or bondholders of the district could assert the same, since only the state and the district as an agency of the state would be involved in this encroachment upon the powers of the state, or state agency, and only the state or such agency of the state could assert such right, and contestants in this case could not complain of any lack of permission from the state to take advantage of this statute and authority to initiate or defend any character of litigation is expressly and/or impliedly granted to petitioner in the following particulars:

First—Expressly granted by the Legislature by giving your petitioner the power to sue and to be sued;

Second—Impliedly granted to your petitioner by the Legislature as an incidental power to your petitioner's power to contract.

IX.

This Honorable Court erred in holding that the statute and proceeding in question impaired the obligation of a contract as a matter of law, as that is the purpose of any bankruptcy law, as a matter of fact.

X.

Notice is hereby given that your petitioner intends to file an Amended Motion for a new trial in this cause, as provided in the rules of this Court published on January 1, 1934, unless notice is given by petitioner of a contrary intention.

Wherefore, premises considered, your petitioner prays this Honorable Court to set aside its opinion and judgment heretofore rendered in this cause refusing to take jurisdiction of this case and holding said petition insufficient under the statute and holding said statute unconstitutional, and that this Honorable
110 Court exercise the jurisdiction conferred upon it by Congress herein and determine this cause, and upon final hearing, render judgment as sought in petitioner's Second Amended Original Petition.

Respectfully submitted,
GREENWOOD & LEWIS,
By P. G. GREENWOOD.

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111 PETITION FOR APPEAL.

Filed May 31, 1935.

(Title Omitted.)

To the Honorable T. M. Kennerly, District Judge:

The above named Cameron County Water Improvement District Number One feeling aggrieved by the decree entered and rendered in the above entitled

cause on the .... day of ....., 1935, do hereby appeal from said decree to the Circuit Court of Appeals for the Fifth Circuit, for the reasons set forth in the assignments of error filed herewith and said District prays that its appeal be allowed and that citation be issued as provided by law and that a Transcript of the record, proceedings and documents upon which said decree was based, duly authenticated, be sent to the United States Circuit Court of Appeals for the Fifth Circuit, under the rules of such Court in such cases made and provided.

And your petitioner prays that proper order relating to the required security to be required of him be made.

CAMERON COUNTY WATER
IMPROVEMENT DIST. No. 1,
By W. B. LEWIS,
Attorney of Record.

Appeal allowed upon giving bond as required by law for the sum of $.....

....., Judge.

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112 ORDER ALLOWING APPEAL.

(Title Omitted.)

On motion of W. B. Lewis, Counsel for the complainant, it is hereby ordered that an appeal to the Circuit Court of Appeals from the decree heretofore filed and entered herein be and the same is hereby allowed and that a certified Transcript of the Record, exhibits, stipulations and all proceedings be forthwith transmitted to said Circuit Court of Appeals and it is further ordered that the bond on appeal be fixed at the sum of $.....

Dated the ..... day of ....., 1935.

.....,
Judge.

113 ASSIGNMENTS OF ERROR.

Filed May 31, 1935.

(Title Omitted.)

Now comes Cameron County Water Improvement District Number One, Appellant in the above entitled cause and files the following assignments of error upon which it will rely upon its prosecution of appeal in the above entitled cause, from the decree made by this Honorable Court on the .... day of ....., 1935, overruling a motion for new trial from an order entered in this Honorable Court on the 1st day of December, 1934.

I.

The United States District Court for the Southern District of Texas erred in granting a motion of the contestants and dismissing the proceedings in this case, because said petition is sufficient both as to facts stated and the law as applied thereto.

II.

The United States District Court for the Southern District of Texas erred in assuming in said opinion that there had been no efforts made to collect taxes and that the sole claim of the District was the financial depression, because the petition states specifically the condition of the farmers of said District and that they are unable to pay their taxes.

III.

The United States District Court for the Southern District of Texas erred in holding that an allegation to the effect that the District was insolvent and unable

to pay its debts as they matured is insufficient, because the sufficiency of this has been decided by the
114 Supreme Court of the United States in the case of Continental Illinois National Bank & Trust Co. v. Chicago, R. I. & P. R. Co., Vol. 79, Law Ed. of the Supreme Court decisions, Page 642, which shows conclusively that the allegations are sufficient to comply with the bankruptcy statute.

IV.

The United States District Court for the Southern District of Texas erred in holding that petitioner is merely an agency, or instrumentality of the State of Texas and business being public, it had no right to take advantage of provisions of the bankruptcy act.

V.

The United States District Court for the Southern District of Texas erred in holding that the bonds being an obligation of Texas, a sovereign state, and petitioner its agency, that Congress had no power to confer upon the District Court jurisdiction to readjust its affairs in the manner set forth in Congress.

VI.

The United States District Court for the Southern District of Texas erred in holding that the act on which applicant filed its petition was contrary to the Federal Constitution of the United States of America and that Congress did not have power to enact it.

VII.

The United States District Court for the Southern District of Texas erred in holding that the act above

mentioned under which applicant filed its petition is void because in that its interferes with the sovereign states and its agency and the same cannot be passed without the permission of the State.

VIII.

The United States District Court for the Southern District of Texas erred in holding that said act was void and unconstitutional, because it impaired
115 the laws of a sovereign state.

IX.

The United States District Court for the Southern District of Texas erred in holding that this District was created for the purpose of performing "governmental functions," for the reason that the Courts of Texas, as well as other Courts of the Nation, have uniformly held that the furnishing of water for irrigation is purely a proprietary function, which may be exercised by both private corporations and individuals and the power to tax conferred upon your petitioner is incidental to its performance of its proprietary function of furnishing water for irrigation of lands.

X.

The United States District Court for the Southern District of Texas erred in its holdings that the act in question impaired the sovereignty of the States, because only the State would have authority to raise this question and the contestants would have no such authority, and since the State and the District do not raise this question, it was an error of the District Court to raise it, and since the Legislature has conferred upon petitioner the right to sue and be sued,

it conferred upon it the right to take advantage of the provisions of this bill.

Wherefore, the appellant prays that said decree be reversed and that the said District Court for the Southern District of Texas be ordered to enter a decree reversing the decision of the Lower Court in said case.

W. B. LEWIS,
Attorney for Appellant.

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117 ORDER ALLOWING APPEAL.

Filed June 1, 1935.

(Title Omitted.)

On this, the 31st day of May, 1935, came on to be heard the Application of the Cameron County Water Improvement District No. One, by its Counsel, W. B. Lewis, Esq., for an Order allowing an Appeal herein from the Decree heretofore entered herein.

It appearing that the Cameron County Water Improvemnt District No. One, after the entry of such Decree seasonably filed with the Clerk of this Court, Motion for Rehearing, which Motion was not brought on for hearing before the Court and was not heard nor decided by the Court, but was pending on May 11, 1935, at the time of the adjournment of the Term of Court at which Decree was entered.

It is Ordered, Adjudged and Decreed that said Appeal be allowed, and the Appeal Bond fixed at the sum of $250, such Appeal Bond, however, not to act as a

Supersedeas. Such Appeal Bond to be approved by the Court or the Clerk of the Court.

Done at Corpus Christi, Texas, this May 31, 1935.

T. M. KENNERLY,
United States District Judge.

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119 APPEAL BOND.

Filed June 6, 1935.

(Title Omitted.)

Know All Men by These Presents: That we, Cameron County Water Improvement District No. One, as Principal, and the undersigned as Sureties, of the County of Cameron and the State of Texas are held firmly bound unto C. L. Ashton, J. W. Terry, Rebecca Terry White, C. W. Griffin, A. G. Griffin, L. E. Wood and West Coast Life Insurance Company in the sum of $250.00 lawful money of the United States to be paid to them and their respective executors, administrators and successors, to which payment well and truly to be made, we bind ourselves and each of us jointly and severally and each of our heirs, executors and administrators and by these presents.

Sealed with our seals and dated this 1st day of June, A. D. 1935.

Whereas, the above named Cameron County Water Improvement District Number One has prosecuted a Writ of Error and an appeal to the Circuit Court of Appeals for the Fifth Circuit to reverse the judgment of the District Court for the Southern District of Texas, in the above entitled cause;

Now, Therefore, the conditions of this obligation are such that if the above named Cameron County Improvement District Number One shall prosecute its said appeal to effect and answer all costs if it fails to make good its plea, then this obligation shall be void, otherwise to remain in full force and effect.

CAMERON COUNTY WATER
120 IMPROVEMENT DISTRICT
NUMBER ONE,
By H. L. STARNES, Mgr.,
Principal.
THE METROPOLITAN CASUALTY INSURANCE CO. OF NEW YORK, N. Y.,
By R. B. HAMILTON,
(Seal) Attorney-in-fact, Sureties.

Approved June 5, 1935.
T. M. KENNERLY, Judge.

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121 In the District Court of the United States for the Southern District of Texas, Brownsville Division.

In the Matter of:
Cameron County Water Improvement District No. One.

Bkcy. No. 520.

On this the 6th day of May, 1935, at a regular meeting of the Board of Directors of Cameron County Water Improvement District Number One, Harlingen, Texas, on motion made and duly seconded and unanimously carried, the manager of this District, H. L. Starnes, was authorized to sign the name of Cameron County Water Improvement District No. One to an Appeal Bond appealing the case No. 520, Cameron

County Water Improvement District No. One in Bankruptcy, pending in the District Court of the United States for the Southern District of Texas, Brownsville Division, and his acts to be in all things the acts of this District and binding on this District and it is further ordered that the Secretary of this Board attach the seal to said bond as an official act of said District and that a certified copy of this order be duly attached to this bond.

F. H. GREEN,
President.

(Seal)

Attest:

J. W. WADE,
Secretary.

I, J. W. Wade, acting Secretary of the Board of Directors of Cameron County Water Improvement District No. One, do hereby certify that the above and foregoing resolution was duly passed by the directors of Cameron County Water Improvement District Number One on the 6th day of May, 1935, and the same appears of record in Vol. ...., Page .... of the Minutes of said District.

J. W. WADE,
Acting Secretary.

123 CLERK'S CERTIFICATE.

In the District Court of the United States for the Southern District of Texas, Houston Division.

I, L. C. MASTERSON, Clerk of the District Court of the United States for the Southern District of Texas, in the Fifth Circuit and District aforesaid, do hereby certify the foregoing to be a true and correct copy of the Record, Assignment of Errors, and all proceedings had in the Case, in Cause No. 520 on the Bankruptcy Docket of said Court, at the Brownsville Division, entitled: In the Matter of Cameron County Water Improvement District Number One, In Bankruptcy, as called for in the Praecipes for Transcript on pages 1, 2 and 3 of this transcript, as the same now appears on file and of record in my office.

To certify which, witness my hand and the seal of said Court, at Houston, in said District, this the 21st day of June, A. D. 1935.

L. C. MASTERSON,
(Seal) Clerk, United States District Court, Southern District of Texas,
By M. ANDERSON, Deputy.

Waiver of Citation omitted from the printed record, the original thereof being on file in the office of the Clerk of the U. S. Circuit Court of Appeals.

* * * * * * * *

[fol. 140] That thereafter the following proceedings were had in said cause in the United States Circuit Court of Appeals for the Fifth Circuit, viz:

ARGUMENT AND SUBMISSION

Extract from the Minutes of November 4, 1935

No. 7830

CAMERON COUNTY WATER IMPROVEMENT DISTRICT NUMBER ONE

versus

C. L. ASHTON et al.

On this day this cause was called, and, after argument by W. B. Lewis, Esq., for appellant, and Palmer Hutcheson, Esq., for appellees, was sumbitted to the Court.

[fol. 141] JOINT PETITION TO CERTIFY QUESTIONS TO THE UNITED STATES SUPREME COURT—Filed January 21, 1936

IN THE UNITED STATES CIRCUIT COURT OF APPEALS, FIFTH CIRCUIT

No. 7830

In re CAMERON COUNTY WATER IMPROVEMENT DISTRICT NO. ONE

In Bankruptcy

CAMERON COUNTY WATER IMPROVEMENT DISTRICT NO. ONE, Appellant,

vs.

C. L. ASHTON, WEST COAST LIFE INSURANCE COMPANY, C. W. GRIFFIN, A. G. Griffin, Leonard E. Wood, and J. W. Terry, Individually and as Trustee, Appellees

To the Honorable Circuit Court of Appeals:

Now come the appellant and the appellees in the above cause and respectfully petition the Court to certify to the

Supreme Court of the United States the questions involved in this case, as authorized by Section 346 of Title 28, United States Code Annotated, and as grounds therefor say:

[fol. 142]

I

This case was instituted in the District Court of the United States for the Southern District of Texas under Sections 301, 302, and 303, Title 11, United States Code Annotated. These sections of the Code embody Sections 78, 79 and 80, as added May 24, 1934 to the Act of July 1, 1898, entitled "An Act to establish a uniform system of bankruptcy throughout the United States". The amendment of May 24, 1934 was Public Act No. 251 of the 73rd Congress and is commonly known as the Sumners-Wilcox Act or the Municipal Bankruptcy Act. This amendment was entitled "Provisions for the emergency temporary aid of insolvent public debtors, and to preserve the assets thereof, and for other related purposes". By its terms it expires within two years from the date that the Act took effect, and, therefore, will expire on May 24, 1936. It will be impracticable to obtain a decision by the Supreme Court of the United States before the expiration date of the Act unless this case is certified. Being a bankruptcy case, this case is under the rules of the Court entitled to be advanced for disposition and was so advanced by the Court and submitted before it on the 4th day of November, 1935.

The trial court determined that the Municipal Bankrupty Act was unconstitutional, and the constitutionality of that Act is before the Court for determination with respect to a water improvement district of the type of appellant as distinguished from a city.

II

In determining the constitutionality and applicability of [fol. 143] the Municipal Bankruptcy Act to the appellant, there is before this Court for consideration Article 1024A of Vernon's Annotated Texas Statutes (1935 Supplement) embodying Chapter 107 of the Act of the 44th Legislature, of the state of Texas, passed April 27, 1935, and entitled "An Act authorizing municipalities, political subdivisions, and taxing districts to proceed under the provisions of Federal Bankruptcy Laws enacted for the relief of such municipalities, political subdivisions, and taxing districts".

The constitutionality of this Act of the Texas Legislature is involved in the determination of this case, both with relation to the provisions of the Federal Constitution and the State Constitution prohibiting the impairment of the obligation of contracts by State legislation.

III

In connection with the plan of readjustment tendered by the District in the bankruptcy proceeding, in the event that the above acts are held constitutional, it becomes necessary to determine whether as provided by the Act "the taxing district is authorized by law, upon confirmation of the plan, to take all action necessary to carry out the plan". Such a determination involves consideration of the proposed financing of the plan of readjustment by the Reconstruction Finance Corporation under Section 403, of Title 43, United States Code Annotated, which embodies Section 36, Part 4, of Title II of the Agricultural Adjustment Act of May 12, 1933, entitled: "An Act to relieve the existing national economic emergency by increasing agricultural purchasing power, to raise revenue for extraordinary expenses incurred by reason of such emergency, to provide emergency relief with respect to agricultural indebtedness, [fol. 144] to provide for the orderly liquidation of joint stock land banks, and for other purposes". Title II of that Act relates to "Agricultural Credits" and provides that it may be cited as the "Emergency Farm Mortgage Act of 1933", and Part 4 of that Title is headed "Refinancing of Agricultural Improvement District indebtedness for the benefit of farmers—Loans by Reconstruction Finance Corporation" (Volume 48, Part 1, Public Works, United States Statutes at Large, page 49). The section of the Act referred to provides for loans to be made by the Reconstruction Finance Corporation to "Irrigation Districts—duly organized under the laws of any state, and to political subdivisions of states, which prior to the date of the enactment of this Act, have completed projects devoted chiefly to the improvement of lands for agricultural purposes".

The constitutionality of the above Act, as well as the constitutionality of Articles 1644C and 7807E, Vernon's Annotated Texas Statutes, Supplement of 1935, is necessarily involved in determining whether the plan of readjustment as tendered may be consummated.

There are, of course, other questions involved in the case, such as a determination of the question of whether the plan of readjustment tendered is "fair, equitable or to the best interests of the creditors, and does not discriminate unfairly in favor of any class of creditors," and the question whether the District could consummate the plan tendered without submitting the plan at an election to the taxpayers of the District. However, such questions need not be deter-[fol. 145] mined if the case is disposed of by reason of any of the questions hereinabove mentioned, none of which have been definitely determined by any other Circuit Court of Appeals, or by the Supreme Court of the United States. The Supreme Court of the United States since the submission of this case has rendered important decisions which deal with the relation of state rights to national control under federal legislation, such as the Home Owners Loan Act and the Agricultural Adjustment Act (Hopkins Federal Savings & Loan Association et al. vs. Clearly et al., decided December 9, 1935, and United States of America vs. Wm. M. Butler, Receiver of Hoosac Mills Corporation, decided January 6, 1936), which make it important that this court decide these questions as soon as possible.

It is desired by all parties interested herein, and therefore respectfully moved by them, that the questions hereinbefore set out be certified to the Supreme Court of the United States, in order that they may be determined by that Court prior to the expiration of the Municipal Bankruptcy Act, May 24, 1936.

Respectfully submitted this 17th day of January, 1936.

(Signed) Vincent M. Miles, W. B. Lewis, Attorney for Appellants. J. W. Terry, Joyce Cox, W. P. Hamblen, Palmer Hutcheson, by (Signed) Palmer Hutcheson, Attorneys for Appellees.

[fol. 146] Opinion of the Court—Filed March 3, 1936

In the United States Circuit Court of Appeals for the Fifth Circuit

No. 7830

Cameron County Water Improvement District Number One, Appellant,

versus

C. L. Ashton et al., Appellees

Appeal from the District Court of the United States for the Southern District of Texas

(March 3, 1936)

Before Foster and Sibley, Circuit Judges, and Dawkins, District Judge

Foster, Circuit Judge:

This is an appeal from a judgment dismissing on the ground of want of jurisdiction a proceeding brought by Cameron County Water Improvement District No. 1, an irrigation district of Texas, to have approved and made effective a plan of readjustment of its bonded indebtedness, under the provisions of the Act of May 24, 1934, chapter 345.

The act is amendatory and supplemental to the National Bankruptcy Act of 1898, adding chapter Nine, Sections 78, [fol. 147] 79 and 80, to the Act. It is somewhat lengthy and in considerable detail as to the plan of readjustment to be proposed and the action of the court thereon, but its salient provisions may be somewhat briefly stated, as follows.

Section 79 limits the life of the act to two years after passage and vests jurisdiction in courts of bankruptcy over proceedings for the relief of political corporations, as provided in the act, in addition to their original jurisdiction in bankruptcy. Section 80 provides that any municipality or other political subdivision of any state, including irrigation districts among others named, may file a petition stating that the taxing district is insolvent or unable to meet its

debts as they mature and that it desires to effect a plan of readjustment of its debts. Jurisdiction is given to the court in whose territorial jurisdiction the taxing district or a major part thereof is located. The section further provides, that the petition shall state that a plan of readjustment has been prepared, is filed and submitted with the petition and that creditors to be affected, not less than 30 per cent in the case of an irrigation district, have accepted it in writing, the written acceptances, with a list of all known creditors of the taxing district with their addresses, so far as known, and a description of their respective claims to be filed with the petition. Upon the filing of such petition the judge shall enter an order approving it as properly filed under the chapter, if satisfied that such petition complies with the chapter and has been filed in good faith, but dismissing it if not so satisfied. In the case of an irrigation district the plan of readjustment shall not be confirmed until it has been accepted in writing by 66 2/3 per cent of the creditors affected. If the filing of the petition is approved the judge may require the taxing district to give such notice as the order may direct to the creditors and cause publica-
[fol. 148] tion to be made at least once a week for three successive weeks of a hearing to be had within 90 days after the approval of the petition, for the purpose of considering the plan of readjustment and any changes or modification thereof that may be proposed. If creditors holding 5 per cent in amount of the debts sought to be readjusted shall, within 90 days after the first publication of the notice, appear and controvert the facts alleged in the petition the judge shall decide the issues presented and unless the material allegations of the petition are sustained, shall dismiss the petition. The act contains this important provision:

"Section 80. (k) Nothing contained in this chapter shall be construed to limit or impair the power of any State to control, by legislation or otherwise, any political subdivision thereof in the exercise of its political or governmental powers, including expenditures therefor, and including the power to require the approval by any governmental agency of the State of the filing of any petition hereunder and of any plan of readjustment, and whenever there shall exist or shall hereafter be created under the law of any State any agency of such State authorized to exercise supervision or control over the fiscal affairs of

all or any political subdivision thereof, and whenever such agency has assumed such supervision or control over any political subdivision, then no petition of such political subdivision may be received hereunder unless accompanied by the written approval of such agency, and no plan of readjustment shall be put into temporary effect or finally confirmed without the written approval of such agency of such plans."

The suit was filed on July 17, 1934, after the passage of the act, but the original petition is not in the record. An amended petition was filed August 22, 1934. It sub- [fol. 149] stantially alleges that petitioner is an irrigation district having approximately 240,000 acres of land within its boundaries, wholly located in Cameron County, Texas, and has been in operation for something like 20 years, aiding and encouraging agriculture and supplying water to farmers to irrigate their lands and produce their fruit and vegetables; that about two and a half years prior thereto the country entered into a general financial depression, causing great reduction in the price which the farmers received for their fruit and vegetables, the prices being so low they did not pay the cost of production, thereby making it impossible for the farmers of said district to pay their flat rates and bond tax; that petitioner is insolvent and unable to meet its debts as they mature and desires to effect a plan of readjustment of its debts as provided by section 80; that petitioner has outstanding approximately $800,000.00 of bonds, bearing 6 per cent interest and maturing serially, which are annual obligations against the district; that petitioner realizing its inability to meet its debts began to work out some kind of a plan to adjust them that would be fair and equitable to both the district and the bondholders and applied to the Reconstruction Finance Corporation for a loan to liquidate said indebtedness; that on January 13, 1934, the Reconstruction Finance Corporation authorized a loan to the district of $400,000.00, for the purpose of refunding these bonds at 49.8 cents on the dollar, which would enable petitioner to reduce its bond taxes at least ⅔ and would make the district financially sound; that the plan had been accepted in writing by the holders of more than 30 per cent of the bonds; that petitioner will be able to secure the approval

of more than 66⅔ per cent of all the bonds at a hearing, as provided for in § 80(d). The petition contained a copy of an order of the Reconstruction Finance Corporation authorizing the appropriation of the funds to be loaned and the conditions to be complied with as to the deposit [fol. 150] and surrender of the bonds, a copy of the resolutions of the board of directors of petitioner accepting the loan for the purpose intended, a list of persons holding more than 30 per cent of the outstanding bonds who had accepted the plan, with their addresses, and a copy of a letter to the bondholders submitting the plan.

On August 22, 1934, the court entered an order approving the petition as filed in compliance with the provisions of the act in good faith and directing petitioner to give notice as required by law to the bondholders, to publish a notice in the "Bond Buyer" of New York, for three successive weeks and directing that a hearing be had on the petition at Houston, Texas, the first day of December, 1934.

On October 1, 1934, a number of bondholders, appellants herein, holding more than 5 per cent of the total issue of bonds, filed a contest to the petition and a motion to dismiss and prayed for leave to intervene, which was granted. So far as is necessary to state, the opposition to the petition alleged that the court was without jurisdiction because the proceeding was not in bankruptcy and Congress was without authority to adopt the act; that the proceeding would operate to deprive the contestants of their property without due process of law in violation of the 5th amendment; that the petition was ineffective because the Legislature of Texas had passed no act prior to its filing which would authorize petitioner to accept the benefit of the Act of Congress. The petition of opposition also denied that petitioner was insolvent, on the ground that taxes levied to retire the bonds would be amply sufficient for that purpose were they collected, admitted that economic conditions have rendered the payment of taxes and debts by the farmers of the district difficult, but denied that such payment in the future will be impossible.

The record does not disclose the date upon which a hearing was had or the scope of such hearing but from [fol. 151] an opinion by the court, filed Deceber 1, 1934 it would appear that a hearing was had only on the pleadings. The District Judge rendered a comprehensive

opinion stating his views, learnedly discussed the history of bankruptcy and held that as petitioner was an agency of the state, through which the state exercised its governmental functions of levying and collecting taxes to pay the bonds, the bonds were therefore obligations of the state of Texas and Congress was without power to enact the statute and confer upon the Federal Courts of bankruptcy jurisdiction to readjust an obligation of the district as provided in the act. He also found that as the petition did not state what, if any, effort had been made to collect the taxes or enforce the payment thereof and the lien securing them, except the allegation that during a period of time the farmers had been unable to sell their products for an amount sufficient to pay their taxes, there could be no proof other than as to this, which would not be sufficient to show insolvency. He concluded that the petition did not present a case authorizing the court to strike down more than 50 per cent of the face value of the bonds held by contestants and require them to received in full settlement thereof approximately 49.8 per cent of their face value. He did not pass upon the objection of intervenors that the State of Texas had not consented to the proceeding. After the rendition of the opinion but before the judgment was entered appellant sought to amend the petition. It also applied for a new trial in vain.

We need not attempt to review the history and development of the Bankruptcy Law. The Act of May 24, 1934, is substantially similar in letter and intent to the Act of March 3, 1933, which added Chapter Eight, containing section 77, to the National Bankruptcy Act. The 1934 Act extends the benefit of the law to political corporations, making available relief similar to that granted to other corporations by the Act of 1933. In Continental Illinois Nat. [fol. 152] Bk. & Tr. Co. vs. Chicago, R. I. & Pac. Ry. Co., 294 U. S. 648, the Supreme Court construed section 77 and held it to be valid.

Of course, a sovereign state may not be sued by an individual without her consent. But Congress may extend the jurisdiction of the inferior courts of the United States over the states of the Union where the State is seeking relief and a Federal question is presented for decision. Ames vs. Kansas, 111 U. S. 449. Th immunity of a state does not extend to a political corporation of the state and a suit to

enforce the obligations of such corporations may be maintained in a Federal Court without the consent of the state. Cowles vs. Mercer County, 7 Wall. 118; Lincoln County vs. Luning, 133 U. S. 529; Loeb vs. Columbia Township, 179 U. S. 472.

It is apparent that the Act of May 24, 1934, was not intended to interfere with the sovereign rights of any state. Full control over the liquidation of the indebtedness of any political subdivision is reserved to the state under the provisions of Sec. 80(k) above quoted. If the state chooses to exercise her sovereign authority she has the right to do so and the act is without effect. We have no hesitancy in holding that the Act of May 24, 1934, is a law on the subject of bankruptcies within the power of Congress to enact and valid.

We do not consider that consent of the state in advance is necessary to enable a political corporation to take advantage of the beneficial provisions of the law. Manifestly, that interpretation would rob the statute of practical efficiency in many states as there would not be time for the legislature to act before the law would expire by limitation. There is no existing state agency in Texas authorized to exercise supervision or control over the fiscal affairs of political subdivisions of the state. Since this case was de- [fol. 153] cided by the District Court the legislature of Texas has adopted an act authorizing all political subdivisions of the state to proceed under all bankruptcy laws enacted by Congress which laws have for their object the relief of municipal indebtedness, including the Act of May 24, 1934. Article 1024 a Vernon's Annotated Rev. Civ. Stat. of Texas, 1935 Supplement. We conclude that the District Court has jurisdiction over this proceeding.

The act is remedial and to be liberally construed. The petition tracks the statute. In considering the sufficiency of the petition the General Orders in Bankruptcy and the Federal Rules in Equity must be looked to rather than the rules of pleading and practice in the state courts of Texas. One filing a voluntary petition in bankruptcy is not required to do more than state the jurisdictional facts, that he owes debts that he is unable to pay in full, that he is willing to surrender all his property for the benefit of his creditors, except such as is exempt by law, and that he desires to obtain the benefit of the acts of Congress relat-

ing to bankruptcy. Bankruptcy Form No. 1. His financial condition is shown in detail by the schedules annexed. Under the provisions of Equity Rule 25, in addition to the jurisdictional averments, a bill of complaint is required to contain only a short and simple statement of the ultimate facts upon which plaintiff asks relief, omitting any mere statement of evidence. The Act of May 24, 1934, provides that the judge, after hearing, may direct the taxing district to file such schedules and submit such other information as may be necessary to disclose the conduct of the affairs of the taxing district and the fairness of any proposed plan. The act clearly contemplates that the District Judge, in the exercise of sound discretion, should not only allow but may direct necessary amendments to the petition in order to permit the granting of the relief provided by the act. Technical rulings on pleadings have no application in ad-[fol. 154] ministering the act. Unquestionably the petition contains the necessary allegations to show jurisdiction in the District Court for the Southern District of Texas and the allegations of insolvency and inability of the district to pay its debts as they mature were sufficient to warrant the introduction of evidence to prove these allegations. If the court considered it necessary that the petition be amplified it was his duty to permit or order an amendment.

Other objections urged by intervenors are without merit and do not require discussion.

It follows that the judgment dismissing the petition was erroneous. The judgment appealed from is reversed and the cause is remanded for further proceedings not inconsistent with this opinion.

Reversed and remanded.

[fol. 155] JUDGMENT

Extract from the Minutes of March 3, 1936

No. 7830

CAMERON COUNTY WATER IMPROVEMENT DISTRICT NUMBER ONE

versus

C. L. ASHTON et al.

This cause came on to be heard on the transcript of the record from the District Court of the United States for the Southern District of Texas, and was argued by counsel;

On consideration whereof, It is now here ordered, adjudged and decreed by this Court, that the judgment of the said District Court appealed from in this cause be, and the same is hereby, reversed; and that this cause be, and it is hereby, remanded to the said District Court for further proceedings not inconsistent with the opinion of this Court;

It is further ordered, adjudged and decreed that the appellees, C. L. Ashton, and others, be condemned, in solido, to pay the costs of this cause in this Court, for which execution may be issued out of the said District Court.

[fol. 156] ORDER STAYING MANDATE—Filed March 7th, 1936

UNITED STATES CIRCUIT COURT OF APPEALS FOR THE FIFTH DISTRICT

No. 7830

CAMERON COUNTY WATER IMPROVEMENT DISTRICT NUMBER ONE, Appellant,

versus

C. L. ASHTON et al., Appellees

On consideration of the application of the Appellees in the above numbered and entitled cause for a stay of the mandate of this court therein, to enable Appellees to apply for and to obtain a writ of certiorari from the Supreme Court of the United States, it is ordered that the issue of the mandate of this court in said cause be and the same is stayed for a period of thirty days; the stay to continue in force until the final disposition of the case by the Supreme

Court, provided that within thirty days from the date of this order there shall be filed with the clerk of this court the certificate of the clerk of the Supreme Court that the certiorari petition, record and brief have been filed, and that due proof of service of notice thereof under Paragraph 3 of Rule 38 of the Supreme Cout has been given. It is further ordered that the clerk shall issue the mandate upon the filing of a copy of an order of the Supreme Court denying the writ, or upon the expiration of thirty days from the date of this order, unless the above-mentioned certificate shall be filed with the clerk of this court within that time.

Done at New Orleans, La., this 7th day of March, 1936.

(Signed) Rufus E. Foster, United States Circuit Judge.

[fol. 157] CLERK'S CERTIFICATE

UNITED STATES OF AMERICA:

UNITED STATES CIRCUIT COURT OF APPEALS, FIFTH CIRCUIT

I, Oakley F. Dodd, Clerk of the United States Circuit Court of Appeals for the Fifth Circuit, do hereby certify that the pages numbered from 140 to 156 next preceding this certificate contain full, true and complete copies of all the pleadings, record entries and proceedings, including the opinion of the United States Circuit Court of Appeals for the Fifth Circuit, in a certain cause in said Court, numbered 7830, wherein Cameron County Water Improvement District Number One is appellant, and C. L. Ashton, et al., are appellees, as full, true and complete as the originals of the same now remain in my office.

I further certify that the pages of the printed record numbered from 1 to 139 are identical with the printed record upon which said cause was heard and decided in the said Circuit Court of Appeals.

In testimony whereof, I hereunto subscribe my name and affix the seal of the said United States Circuit Court of Appeals, at my office in the City of New Orleans, Louisiana, in the Fifth Circuit, this 9th day of March, A. D. 1936.

Oakley F. Dodd, Clerk of the United States Circuit Court of Appeals, Fifth Circuit. (Seal United States Circuit Court of Appeals, Fifth Circuit.)

[fol. 158] SUPREME COURT OF THE UNITED STATES

ORDER ALLOWING CERTIORARI—Filed April 13, 1936

The petition herein for a writ of certiorari to the United States Circuit of Appeals for the Fifth Circuit is granted, and the case is assigned for argument on Tuesday, April 28, next, after the cases heretofore assigned for that day.

And it is further ordered that the duly certified copy of the transcript of the proceedings below which accompanied the petition shall be treated as though filed in response to such writ.